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# **China Report**

**ECONOMIC AFFAIRS**

**No. 329**



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18 April 1983

## CHINA REPORT

### ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### STATUS, REQUIREMENTS OF KEY ECONOMIC DEVELOPMENT AREAS DISCUSSED

Beijing ~~TONCIV~~ [STATISTICS] in Chinese No 12, 17 Jan 83 pp 8-10

[Article by Fang Jing [2455 5464]: "Why Must the Three Key Strategic Areas Be Strengthened in Order to Quadruple Output Value?"]

[Text] In his report at the 12th party congress, Comrade Hu Yaobang pointed out that the most important factors in achieving our economic development objectives are effective solution of the agricultural problem, the energy and communications problem, and the education and scientific-technical problem. Since the state was founded, our country's agricultural, energy and communications, and education, science and technology sectors have developed rather rapidly, but they still fall short of the developmental needs of the entire national economy. If we do not strengthen these key areas, the smooth achievement of our strategic objectives in the next 20 years may be hindered. Below we cite some statistics to indicate the necessity of strengthening these three key strategic areas.

#### 1. We Must Accelerate the Development of Agriculture

Agriculture is the foundation of the national economy and plays the critical role in it. In 1981, for example, agricultural manpower accounted for 72 percent of all manpower in society, net agricultural output accounted for 42 percent of national income, output value based on agricultural products as raw materials accounted for 69 percent of total light industrial output value, rural retail sales accounted for 56 percent of all retail sales in society, agricultural and sideline products and products made from them accounted for 44 percent of all export, and 38 percent of government revenues came from agriculture and light industry. Accordingly, only by developing agriculture it is possible to provide more consumer goods and to furnish light industry with more starting materials to produce consumer goods and increase exports. Only by developing agriculture and light industry is it possible to increase government revenues and foreign exchange earnings and make more funds available for the four modernizations.

In the past 3 years, agricultural output has developed rather rapidly, but in terms of the overall national economic situation, it is still a weak link, as indicated primarily by lower agricultural labor productivity, low commodity rates and a limited ability to resist adverse natural conditions.

In 1981, gross agricultural output value per agricultural workers was only 500-odd yuan, an increase of only 1.4 percent from the 1957 level; and the value of commodities made available to the market per agricultural worker was only 300 yuan. Grain output per agricultural worker was about 2,100 jin, and the commodity rate was only 15 percent, enough to meet the consumption needs of only three persons. The state needs to import a net amount of more than 20 billion jin of grain and 15 billion dan of cotton a year; imports of grain, cotton, oil and sugar account for a sixth of total import.

The main reason for agricultural backwardness is a past overemphasis on grain as the key item, which took such single-minded management forms as cutting of forests and reclamation of grasslands and wetlands, thereby destroying natural resources, causing disproportions within agriculture and damaging the ecological balance. In the future, in order to deal effectively with this key strategic area, to protect all agricultural resources and to maintain the ecological balance, we must correct our past narrow small-farmer viewpoint and make use of our 14.4 billion mu of land by thoroughly and rationally utilizing all natural resources, including mountains, waters, forests and fields. Statistics show that our country has 1.8 billion mu of forest land, about 3.4 billion mu of usable grassland, 700 million mu of grassy hills and mountainsides in agricultural areas, 250 million mu of fresh-water area, and more than 7 million mu of sea area suitable for aquaculture. Thorough utilization of our more than 300 million farm workers and the pursuit of diversified operations will result in comprehensive development of agriculture, forestry, livestock raising, sideline activities and aquaculture. We must also strengthen scientific and technical manpower in agriculture, disseminate agricultural science and technology and carry on scientific cultivation so that agricultural production will progress steadily.

## 2. Improve the Efficiency of Energy Resource Utilization and Strengthen Construction for Communications and Transport

Energy is the motive power of the national economy. In 1981 our country produced 630 million tons of energy resources, an increase of 12 times from 1952, equal to an average annual increase of 9.2 percent. But over the same period total industrial output increased by 19 times, an average annual increase of 10.8 percent. Owing particularly to the excessively rapid development of processing industries and the low use efficiency of energy resources, energy became the weak link limiting economic development. As a result of shortages of electricity and coal, about 20-30 percent of the country's equipment capacities cannot be thoroughly utilized.

There are two aspects to the solution of the energy problem, namely stepped up energy construction and conservation. Energy construction requires large investments and the cycle is long; for example, building a coal mine with an annual output of a million tons takes 10 years and requires an investment of nearly 200 million yuan; building an opencut with a capacity of 20 million tons takes 10 years and more than 3 billion yuan in investment; building a hydroelectric station with an installed capacity of a million kilowatt-hours takes 10 years and a billion yuan in investments. Our country has limited investment funds, and other than planned construction of certain key products

and the various localities' construction of energy projects using their own financial resources and capabilities, the main aspect of solution of the energy problem in the future will be conservation. There is great potential in this area: our country's average energy resource use efficiency is about 30 percent, while the level in advanced industrial countries is about 50 percent. Our country uses about 4-5 times as much energy as advanced countries per unit output value; while Japan consumes about the same amount of energy we do, its gross national product is 3 times as high as ours. Historically, our energy consumption per 10,000 yuan of national income was 17.4 tons in 1981, up 19 percent from 1965. If we were able to achieve the 1965 level again, we could save about a hundred million tons of energy resources.

Communications and transport are the arteries of the national economy. In the last 30 years, because construction for communications and transport has lagged behind the rate of development of industrial and agricultural output, a transportation shortage has developed, expressed primarily in the following ways.

a. Too few transport routes. In 1981 we had only 50,000 kilometers of railroads, an average of only 52 kilometers per square kilometer of land area. The United States has 320,000 kilometers of railroads, an average of 342 kilometers per square kilometer of land area. India has more than 60,000 kilometers of railroads and an average of 206 kilometers per square kilometer of land area. China has 900,000 kilometers of roads, only 938 kilometers per square kilometer of land area, while developed countries have about 10,000 kilometers per square kilometer of land area, and India has more than 4,600 kilometers per square kilometer of land area.

b. Communications and transport capabilities unsuited to the needs of transport expansion. In 1981 industrial output value was 16 times greater than the 1949 figure and goods transport volume was up by 13 times, but railroad mileage was only 1.3 times greater and there were only 0.8 times more locomotives and 4.8 times more freight cars; the amount of haulage performed by the railroads increased from 5,772 tons in 1952 to 21,000 tons in 1981, an increase of 2.6 times. The transport capabilities of about 20 bottleneck areas could meet only 50-70 percent of needs. Coal, the largest transport item, is piling up at stations because of inadequate transport facilities, and many enterprises have had to shut down because of coal shortages. Highway and water transport are also in rather weak condition. For example, harbor handling capacity increased by only 4.9 times from 1957 to 1981, and the number of berths increased by only 0.8 times; the amount of time spent in port by ships engaged in foreign trade has increased from 4 days to 10.4 days, and loading and unloading capabilities are inadequate, so that the time which ships spend in port waiting to be unloaded is excessively long, producing a loss from a shortage of ships and damaging our reputation.

### 3. Increased Investment in Trained Personnel, and Conscientiously Improve Education and Science and Technology

Scientific and technical modernization is the key to the four modernizations. It determines not only the pace of construction, but also the level of economic effectiveness. Education, in turn, is the key to raising scientific and

technical standards. The developed countries accord particularly great importance to producing trained personnel, and 60 to 80 percent of their increase in output stems from technical advances.

Our country's workers have a low cultural level which is inadequate to the needs of economic construction. According to the 1982 census, about 0.6 percent of the population had a college education, about 24.4 percent had a secondary education, 35.4 percent had an elementary education, and 23.5 percent were illiterate or semiliterate.

In 1981 only 13 out of every 10,000 persons were in college; the figure is 500 in the United States, 100-200 in Germany, Japan, France and the Soviet Union, and 53 in India.

In 1981 there were 25 million intellectuals working in units under popular or collective ownership, equivalent to 5.8 percent of all workers in society. Technical personnel in the natural sciences accounted for only 6.8 out of every 10,000 employees of units under the system of popular ownership. Engineering personnel accounted for only 3.1 percent of the industrial departments (the average is 30 percent in Japanese companies). There were only 330,000 agricultural technical personnel nationwide, an average of only 4 per 10,000 population (the figure is 300 in the United States). There is an even greater lack of economic and management personnel. Since the state was founded, fewer than 500,000 financial and economic cadres, only 0.6 percent of the total number of employees, have received college or specialized secondary training; less than a third of all leadership cadres of large and medium-sized enterprises understand enterprise management. The cultural level of agricultural leadership cadres is also low. A survey of 2,448 agricultural leadership cadres at the province, prefecture and county levels indicated that only 88, or 3.6 percent of the total, were graduates of higher or secondary agricultural schools or academies. Some 71 percent of workers are at technical levels 1-3; 23 percent are at levels 4-6, and only 2 percent are at technical levels 7 and 8.

The low level of cultural knowledge and the serious shortage of trained workers and scientific and technical personnel inevitably will harm science and technology. Overall, this country's current industrial production technology is equivalent to the early 1960's level in the developed countries, so that we are about 20 years behind current advanced world scientific and technical standards. Although there have been more than 5,700 scientific and technical advances in agriculture, as a result of the shortage of agricultural scientific and technical personnel and insufficient funds, only a third of them have gone into widespread use.

The key to improving educational and scientific-technical standards is increasing the investment in educated people. In the last 30 years there has been a certain overemphasis on investment in material production and a neglect of investment in trained people. For example, in the 26 years from 1953 to 1978, our country's educational expenditures (including capital construction) averaged only 3.5 billion yuan a year, only slightly more than 2 percent of national income (the figure is generally 6 to 8 percent in the

economically developed countries, and our country ranks below 100th world-wide); during the same period, scientific research expenditures totaled only 2.3 billion yuan, or only 1.5 percent of national income (the figure is 4-5 percent in the developed countries).

Since the Third Plenary Session of the 11th Party Central Committee, the party and state have accorded particular importance to investment in trained personnel. Statistics show that in the 3 years from 1979 to 1981, operating expenditures and investments for education average 11 billion yuan per year, more than 2 times greater than previously, and their share of national income increased from 2.3 percent to 3 percent. Funds for scientific research have averaged 6.2 billion yuan a year, up 1.7 times from past levels; their share of national income has increased from 1.5 percent to 1.7, and their share of the financial departments' outlays has increased from 4.3 percent to 5.2 percent.

In order to accelerate the training of personnel in the future, we must also continue to increase the relative proportion of investments in trained personnel; in addition we must use currently available personnel effectively and take effective steps to thoroughly enlist their enthusiasm.

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## NATIONAL POLICY AND ISSUES

'GUANGMING RIBAO' PRINTS XU DIXIN ON 'DAS KAPITAL'

HK250851 Beijing GUANGMING RIBAO in Chinese 13 Mar 83 p 3

[Article by Xu Dixin [6079 3321 2450]: "On the Vitality of "Das Kapital"--passage in slantlines published in boldface]

[Text] The 14th of March this year marked the centennial of the death of Marx, the great teacher of the Proletariat and working people all over the world and the founder of scientific socialism. I dedicate this article, "On the Vitality of 'Das Kapital'," to the memory, and in commemoration, of the world giant, who was the first to provide a scientific basis for socialism and also for the whole communist movement.

I.

/"Das Kapital" has stood up to the tests of history and reality since its publication and has displayed its strong vitality./

"Das Kapital" is an epoch-making work which Marx spent the energies of a lifetime in writing. Engels said: "This work expounds the foundations of his economic-socialist conceptions and the main features of his criticism of existing society, the capitalist mode of production and its consequences." ("Selected Works of Marx and Engels," Vol 3, p 38) "Das Kapital" has educated the working class to understand its historical position amid missions, to replace illusions with science and to discover the road to liberation. The great earth-shaking changes that have taken place in China and the whole world over the past century are closely related with the scientific theory expounded in "Das Kapital" and other works of Marx, and with Marx' prediction.

Naturally, living in a period of laissez-faire capitalism, Marx took the stage of capitalist free competition as his object of study in his effort to reveal the social nature of capitalism and its law of movement. In his later years, capitalism, in which free competition held the dominant position, was passing over to monopoly capitalism. In "Das Kapital," Marx pointed out the trend of capital concentration. However, he did not see the final formation of monopoly capitalism. Therefore, we should not demand that "Das Kapital" should analyze the questions of how capital concentration developed into monopolization, how bank and industrial capital merged and became financial capital, how export of capital replaced export of commodities, how international monopoly capital came into being and how the greatest capitalist powers completed the struggle of

carving up world territory and redividing the world. The task of answering these questions was assumed by Lenin in "imperialism, the highest state of capitalism" and other related works.

Since World War II, with the development of contradictions in world capitalism, many new situations have emerged, such as, the development of state monopoly capitalism, further improvement of capital organic formation, the development of monopoly capital into multinational companies, the disintegration of the old colonial system, the formation of neocolonialism and the differentiation of the three worlds. Marx did not come across these questions, nor did Lenin. This makes it necessary for us to analyze and explain these new phenomena in accordance with the principles applied in "Das Kapital." We should not adopt a dogmatic attitude toward "Das Kapital" but should make supplements and blaze new trails in line with changes in the objective situations. Political and economic contradictions in the period of monopoly capitalism are much more complicated and profound than those in the period of capitalist free competition. However, Marx' analysis of the contradictions of the capitalist modes of production still continues to work today. The contradictions of monopoly capitalism are the development of the contradictions in the period of capitalist free competition. The scientific analysis of "Das Kapital" on the contradictions in the period of laissez-faire capitalism is precisely a basic theory for our understanding of monopoly capitalism. The cyclical emergence of economic crises provides clear proof of this. Beginning from 1825, a cyclical economic crisis emerged every 8-10 years. After World War II, the cycle of economic crises became shorter. Take the United States for example. It has experienced 7 crises since the 1950's. The present crisis has been going on for more than 3 years. Unemployment figures reached more than 12 million in December last year (accounting for 10.8 percent of the total work force). Unemployment figures also exceeded 11 million in West European countries. By adding up the 2 figures, the number of unemployed may exceed 23 million. At present, the economic crisis in the West still shows no signs of improvement. This proves the objective existence of internal contradictions in the capitalist modes of production and the strong vitality of "Das Kapital!"

## II.

/The strong vitality of "Das Kapital" manifests itself in the fact that it serves not only as our theoretical basis for analyzing the internal contradictions of the capitalist system but also as a theoretical basis for guiding our socialist modernization program./

As is known to all, "Das Kapital" studies the capitalist modes of production as well as the relations of production and exchange that suit them. However, Marx did not confine himself to studying the capitalist modes of production. While exposing and criticizing the capitalist modes of production, he also analyzed and expounded the general law governing the development of human society as well as the economic categories and laws after the abolition of the capitalist modes of production.

1. Marx explicitly pointed out that after the Proletariat seizes state power, with the negation of private ownership by the bourgeoisie and the negation of the capitalist character of the means of production, the means of production,

which were formerly monopolized by the bourgeoisie, become the common property of the people of the whole country with the proletarian state as their representative. The immortal "manifesto of the Communist Party" expressed it this way: "The Proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to concentrate all instruments of production in the hands of the state, i.e., of the Proletariat organized as the ruling class; and to increase the total of productive forces as rapidly as possible." ("Selected Works of Marx and Engels," Vol 1, p 272) The stipulation in our constitution that "the state economy is the sector of socialist economy under ownership by the whole people and is the leading force in the national economy" is based precisely on the scientific theory of Marx.

With respect to private ownership of the means of production by the laboring people and private ownership by the capitalists, Marx and Engels adopted the principle of dealing with each case on its merits. In "the peasant question in France and Germany" Engels said: "When we are in possession of state power we shall not even think of forcibly expropriating the small peasants (regardless of whether with or without compensation), as we shall have to do in the case of the big landowners. Our task regarding the small peasant consists, in the first place, in effecting a transition of his private enterprise and private possessions to cooperative ones, not forcibly but by dint of example and the proffer of social assistance for this purpose. ("Selected Works of Marx and Engels," Vol 4, pp 309-310) Our agricultural cooperative movement was based precisely on this theory of Marx and Engels.

2. It was explicitly pointed out in "Das Kapital" that negating the exploitation by capital of the surplus value of wage laborers is a great historical task of the proletarian socialist revolution. However, Marx did not negate working people supplying surplus labor to society and state in the course of socialist production after the capitalist system is overthrown. In "Das Kapital" Marx said: "Surplus labor in general, as labor performed over and above the given requirements, must always remain." ("Complete Works of Marx and Engels," Vol 25, p 925) When criticizing in "critique of the Gotha program," Lassalle's "Undiminished Proceeds of Labor," Marx systematically pointed out the use of working people supplying surplus labor to society and state under the socialist system and the necessity and rationality of these surplus labor products. Practice proves that in a socialist society, the lack of surplus labor products forming into genuine social funds will make it impossible to expand the scope of socialist reproduction in order to meet the ever growing material and cultural needs of the masses of people, still less to make the transition to communism.

3. Marx held that under the socialist system, essential labor products needed for the livelihood of the laborer himself and his family are distributed according to the amount of labor each laborer puts in. When talking about the "community of free individuals" in "Das Kapital," he said: Labor time also serves as a measure of the portion of the common labor borne by each individual, and of his share in the part of the total product destined for individual consumption. (Please refer to "Complete Works of Marx and Engels," Vol 23, p 95) This is the most concise explanation Marx gave to the socialist principle of distribution according to labor. Later, in "Critique of the Gotha Program," Marx more explicitly pointed out: "As far as the distribution of the means of consumption among the individual producers is concerned, the same principle prevails



as in the exchange of commodity-equivalents: A given amount of labor in one form is exchanged for an equal amount of labor in another form." "The right of the producers is proportional to the labor they supply; the equality consists in the fact that measurement is made with an equal standard, labor." ("Selected Works of Marx and Engels," Vol 3, p 11) Therefore, the salary of laborers in a socialist society is fundamentally different in essence from that of laborers in a capitalist society. In a capitalist society, the salary of wage laborers is the value of the labor which they sell to the capitalists while in a socialist society, the salary of workers is distributed according to their portions in the common labor borne by all individuals. What is referred to as "a given amount of labor in one form is exchanged for an equal amount of labor in another form" does not take the sale of labor by laborers as a prerequisite. True, Marx said that distribution according to labor reflects a bourgeois right. However, this was merely used in a borrowed sense. It is groundless to regard a bourgeois right used in a borrowed sense as one based on ownership by capitalists.

4. Marx pointed out that objectively speaking, social production, no matter what, still has a proportional relationship among various different production spheres and in the distribution of labor time and means of production. In a socialist society, due to the socialization of the means of production and the establishment and growth of the state economy under public ownership, the state has the conditions to put the production of key production departments under planning. In "Das Kapital" Marx said: "It is only where production is under the actual, predetermining control of society that the latter establishes a relation between the volume of social labor time applied in producing definite articles, and the volume of the social want to be satisfied by these articles. ("Complete works of Marx and Engels," Vol 25, p 209) What is referred to as "production being under the actual, predetermining control of society" is precisely a socialist society practicing planned production. The economic basis of our socialist system is public ownership of the means of production and the state practices planned economy on the basis of socialist public ownership. The state ensures the proportionate and harmonious development of the national economy through the overall balance of economic planning and the supplementary role of regulation by market mechanism. This is a concrete expression in China of Marx's principle of socialist planned production.

The basic principles on the operation of socialist economy, which Marx directly or indirectly put forward in "Das Kapital" and other works, were by no means restricted to the above-mentioned aspects. I have cited a few examples here in order to prove that "Das Kapital" is not only our theoretical basis for dissecting modern capitalism but also our theoretical basis for engaging in socialist modernization program.

/The strong vitality of "Das Kapital" also manifests itself in the fact that the dialectical methods contained in it are of extensive scientific significance to our understanding and revelation of the essence and law of socialist economy for guiding the practice of socialist modernization program./

Engels said: "The entire world outlook of Marx is not a religious doctrine but a method. It provides not a ready-made dogma but a starting point and a method for further research." ("Complete Works of Marks and Engels," Vol 39, p 406)

At the time of Marx and Engels, socialism was only a vision provided with scientific bases. Now, socialism is no longer practiced in a country. It has a history of more than 60 years. The practice of socialism has exceeded the prediction and ideas of Marx and Engels at that time and has accumulated extremely rich experience and lessons. At the same time, it has also put forward a series of new questions, especially the question of how to carry out socialist modernization under a relatively backward economic conditions. It is necessary to proceed from the methods applied in "Das Kapital" and, on the basis of summing up new experience and studying new conditions, make a new theoretical generalization.

As stated above, Marx directly or indirectly put forward, in "Das Kapital" and other works, a lot of scientific predictions and brilliant ideas on socialism, such as public ownership of the means of production, distribution of personal consumer goods according to labor and planned development of the national economy. Undoubtedly, all these principles are quite correct. However, due to the different specific conditions and economic development in various countries, the specific forms for realizing these principles are surely different. If we indiscriminately copy the experiences and patterns of other countries regardless of our actual national conditions, we will surely be unable to succeed. We have had a lot of lessons in this respect. The "resolution on certain questions in the history of our party since the founding of the PRC" pointed out: "There is no rigid pattern for the development of the socialist relations of production. At every stage our task is to create those specific forms of the relations of production that correspond to the needs of the growing productive forces and facilitate their continued advance." This is a correct conclusion which the CPC Central Committee has drawn when summing up historical experiences since the founding of the PRC and it is also a correct principle which we must adhere to when engaging in the structural reform of the economy.

In recent years, our party has conscientiously remedied the mistakes in rural work committed since the later period of the agricultural cooperative movement by carrying out bold reform on the rural collective economy. A very important measure is the extensive implementation of the system of contracted responsibility with payment linked to output, which has overcome a protracted malpractice characterized by egalitarianism and "everybody eating from the same big pot" and brought into full play the initiative of peasants. Profound changes have taken place in our rural areas. This fact shows that after the establishment of socialist public ownership, it is still necessary to institute various means of operation and distribution suited to the specific conditions. Otherwise, it is impossible to bring into full play the superiority of socialist public ownership.

Our reform is now extending from the rural areas to cities and towns. This makes it necessary for us to take the methodology of "Das Kapital" as a guide in discovering a specific forms from various different fields, trades, industries and departments, which appropriately combine the interests of the state, the collective and the individual. The effective method of all-round agricultural contract system created by the peasant masses, "delivering a sufficient amount to the state, retaining a sufficient amount for the collective and keeping the rest for oneself," has simultaneously brought into play the superiority of the collective and the initiative of the individual, bursting forth with strong

vitality. However, it is necessary to conscientiously take into consideration whether this method can be simply applied in cities, industrial and commercial enterprises or other trades. Trades in cities are basically under ownership by the whole people and 80-90 percent of the state revenue is derived from it. Therefore, when carrying out reform in cities, we should take into consideration its influence on the national economy and the people's livelihood and gradually popularize it through experiments at selected units. With respect to the all-round contract system being implemented in rural areas, we should not observe it superficially but should analyze it from its economic relationship. We should find, through the phenomena of implementing the contract system, a way to combine the interests of the state, the collective and the individual. Provided that we proceed from reality, grasp a sufficient amount of data and repeatedly study and explore the matter, we should be able to carry out our reform in a healthy manner.

Lenin said that Marxist theory "has only laid the foundation stone of the science which socialist must develop in all directions if they wish to keep pace with life." ("Selected Works of Lenin," Vol 1, p 203) The comrades engaged in the study of political economics, particularly "Das Kapital," has the responsibility to apply the theoretical weapon in their hands and make due contributions in reforming the economic system of our country and in building socialism with Chinese characteristics! This constitutes our best commemoration of Marx.

CSO: 4006/398

## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' URGES LEARNING FROM SUN YEFANG

HK210440 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 83 pp 3-4

[Article by editorial department: "Learn From Outstanding Economist Sun Yefang Who Contributes a Good Deal To Economics"]

[Text] At the age of 15, Comrade Sun Yefang began to engage in revolutionary activities and for 60 years, has been consistently loyal to the cause of the CPC and done a great deal of work for the CPC on various fronts, such as industry, finance, trade, statistics and party school education and, in particular, he has made great contributions in applying the Marxist stand, viewpoint and methods in creative theoretical research and in propagandizing and developing Marxist economic science.

In economic research, Comrade Sun Yefang always upholds the principle of integrating the universal truth of Marxism with Chinese concrete practice, proceeds in everything from reality, strives to study and solve the major practical and theoretical problems of the Chinese revolution and construction rather than just listening to the higher ups and following what is said in books. During the 1930's, he went to the countryside and factories to conduct investigations and made a thorough analysis of the nature of Chinese semifeudal and semi-colonial society and thus forcefully refuted the fallacies of Wang Ming and the "Trotskyites" to confuse democratic revolution with socialist revolution and safeguarded the CPC's line concerning the Agrarian revolution. During the early 1940's, when he worked in the central China party school, to counter the empiricism existing at the time, he proposed that we should attach importance to and strengthen education in theory among the cadres. This proposal won the approval of the leading comrades of the CPC Central Committee and had a lively impact. During the late 1950's and early 1960's, on the basis of a thorough investigation and study, he made a sound analysis of the defects of the management system of China's national economy and some faults and errors in related economic policies and put forward many correct and thorough propositions and proposals concerning the reform of the national economic system. For example, attainment of better economic results was the key link in developing socialist economic construction; we should attach importance to the role of the law of value in a planned economy; we should make correct use of economic levers and raise the position of profit targets in economic management; we should expand and appropriately prescribe the limits of authority of enterprises in operation and management and correctly handle the relationships between state centralized



leadership and the independent operation of enterprises; and we should increase the depreciation rate of fixed assets and strengthen the technical transformation of existing enterprises, and so on. He energetically criticized the theory that willpower decides everything and the theory of the natural economy which have an extensive influence in the socialist economic construction both at home and abroad. After the fall of the "gang of four," he enthusiastically studied the new developments and new problems constantly arising in socialist economic construction and advanced quite a few valuable new ideas. For example, he recently put forth his views on attaching importance to the technical transformation of existing enterprises in realizing the strategic objective of economic development and on the relationship between base figures and speed, which were affirmed and commended by the leading comrades of the CPC Central Committee. In his "report on the Sixth 5-Year Plan" delivered at the fifth session of the Fifth NPC, Premier Zhao Ziyang accepted the propositions made by Comrade Sun Yefang. He has also made useful exploration and study of the range and system of socialist political economy and thus pushed the study of China's economic theory forward. With his own fruitful research work and good style of closely integrating theory with practice, Comrade Sun Yefang has set an example for our theoretical workers.

Comrade Sun Yefang has adhered to the principle of the Proletariat and safeguarded the purity of Marxist theory. As early as the 1920-30's, he waged a struggle against Wang Ming's errors and fallacies. After liberation, breaking thorough all shackles of traditional concepts and "leftist" ideas and practices, he put forth a series of economic views and reform propositions which have been proved to be correct through years of practice. He would never in the slightest degree waver, even though he was ruthlessly attacked by Kang Sheng and his company. During the "great cultural revolution," he was even more severely persecuted by the Lin Biao and Jiang Qing counterrevolutionary cliques for his firmness in his economic views and reform propositions and was thrown into prison and locked up for 7 years. However, he still preserved the righteous and inviolable as well as faithful and unyielding moral character of a communist who is always loyal to Marxism and, in extremely hard circumstances in prison, he repeatedly revised in his mind a draft for his work "the economic theory of socialism." He said: "Think not of death or fame; the economic views formed through long years of economic research cannot be discarded; I must live on for the truth I uphold." His spirit of fearing no reactionary power and influence, disregarding personal safety and daring to wage a struggle against all errors in upholding the truth is an embodiment of the clanking bones of a communist. After the smashing of the "gang of four," he actively participated in the struggle to bring order out of chaos on the theoretical front and resolutely supported and earnestly implemented the various principles and policies worked out since the 3d Plenary Session of the 11th CPC Central Committee.

Comrade Sun Yefang is strict with himself and pays particular attention to the cultivation of party spirit. He was erroneously criticized and attacked many times but would never allow himself to be swayed by personal feelings. He has experience in a long revolutionary struggle but he has never given a thought to personal gain or position; he has a high level of theoretical accomplishments and enjoys great popularity but has never put on the airs of an authority;

and he is invariably concerned about the weal and woe of the masses, lives a hard and plain life but has never sought personal privileges. With a democratic work style, he treats people equally and with a mind as open as a valley; he warmly welcomes all criticisms and suggestions for further deliberations and will openly discard his academic viewpoints which he himself regards as needing corrections. He attaches particular attention to helping and educating the young and middle-aged research personnel and has trained a batch of research personnel for China's economic science. He has the spirit of revolutionary optimism and a strong revolutionary will. In spite of being advanced in age and seriously ill, in recent years, he has been very much concerned about socialist economic construction and, in defiance of serious illness, has persisted in research work and enthusiastically made constructive suggestions to the CPC.

Comrade Sun Yefang shows solicitude for JINGJI YANJIU and always spreads the idea of integrating theory with practice and of letting a hundred schools of thought contend. During 1958-64 when he was in charge of the Institute of Economics, he gave direct leadership over the work of JINGJI YANJIU and stressed that publications should publish more articles on the study of the major problems arising in socialist economic construction which can analyze them to the higher plane of the theory of political economy. He resolutely advocates that in the course of academic discussions, we should have not only the right to make criticism but also the right to make counter criticism and that the deprivation of the right to make counter criticism runs contrary to the principles of socialist democracy and will result only in stifling the development of science. In November 1977, after the CPC Central Committee approved the resumption of publication of JINGJI YANJIU, the Institute of Economics held a discussion on the question of resuming publication. When some comrades said that in running a publication, most important was guiding ideology and the principle of letting a hundred schools of thought contend and the combination of the two and that with overrigid control over guiding ideology, the principle of letting a hundred schools of thought contend would be out of the question, Comrade Su Yefang deemed that the argument that no excessive stress should be put on guiding ideology was inappropriate. With regard to guiding ideology, the question was how to give play to its role rather than a question of whether or not excessive stress should be put on it; on the premise of implementing the principle of letting a hundred schools of thought contend, we should choose and publish in the press, in a planned way, some viewpoints on which there are differing views. Since the resumed publication of JINGJI YANJIU, he has enthusiastically written for this publication articles which carry a lot of weight, including "On the Relations of Production As the Subject of Political Economy" published in No 8, 1979 and "What are the Productive Forces and Several Controversies on the Question of the Definition of Productive Forces" published in No 1, 1980 and others. These articles played an important guiding role in conducting discussions on economic theory. Many times he recommended to this publication good articles written by others and he even personally [words indistinct].

[Words indistinct] circulated in restricted levels of units--an article whose views he could not agree with but which he regarded as an article of a study value. He is an adviser to the editorial department of JINGJI YANJIU. Despite serious illness, he very often comes to the office of the JINGJI YANJIU editor-

ial department and has a heart-to-heart talk with staff members and urges JINGJI YANJIU to preserve the characteristics of an academic publication and, at the same time, he exchanges academic views and offers guidance to young comrades in their research and editorial work. Whenever some problems crop up in the editorial work and are reported to him, he tries his best to solve them. In accordance with what was reported to him, he asked the leadership of the Chinese Academy of Social Sciences for Instructions and Solutions to the problem of how to conduct the study and discussion on questions concerning planning and marketing in terms of academic research. He always stands for seeking differences while reserving common ground and making criticisms on different views in the press by naming names. He repeatedly has asked this editorial department to publish articles commenting on his views. While seriously ill, he still said that he would have no objection to criticism and repudiation meetings held by his old colleagues in the Institute of Economics on his economic views. This undoubtedly means not being opposed to comment and criticisms made by the economic circles on his economic views.

Comrade Sun Yefang is a proletarian revolutionary fighter and a staunch communist of the older generation of our party and also China's outstanding Marxist economist. His remarkable achievements, strong party spirit and fine study style have won love and esteem from the broad masses of people and enjoyed high prestige among the economic circles both at home and abroad. Recently, the party committee of the Chinese Academy of Social Sciences granted him the glorious title of model Communist Party member.

We must follow the example of Comrade Sun Yefang, learn from him, enhance our cultivation in Marxist theory, improve our styles of study and writing, creatively study and solve the major practical and theoretical problems arising in socialist construction and struggle for creating a new situation in the study of economic science and for building a modern socialist country which is highly civilized and democratic.

All comrades of our editorial department are determined to strive, under the leadership of the CPC, to study and work in a more assiduous and industrious way and to run this publication well so that it will play a greater role in the new period of socialist construction.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' ON SUN YEFANG, ECONOMIC REFORM

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[Article by Huang Fanzhang [7806 4636 4545] of the Research Institute of Economics of the Chinese Academy of Social Sciences: "Sun Yefang—Advocator of the Reform of the Economic Management System"—written in January 83]

[Text] Comrade Sun Yefang is our party's revolutionary and Marxist economist of the older generation. What is most precious about him is the fact that since the founding of new China, he has been standing foremost on our socialist economic front and theoretical front and has become an initiator and advocate of the reform of economic management system in the circles of economic theory in our country. As an initiator of "reform," he presented questions based on the practice of socialist economic construction, studied these questions from a theoretical point of view, and put forward at a relatively early stage the fundamental orientation of the reform of our economic management system.

#### Putting Forward Questions Based On Practice

In the great practice of our socialist economic construction, from the start Comrade Sun Yefang persisted in the principle of the combination of theory with practice. He went down to the factories and the countryside and made investigations; he studied new problems and, guided by Marxism, expounded new viewpoints and put forward new proposals; and he creatively developed the work of research on economic theories.

With the basic completion of the "three great transformations" in 1956, a large-scale socialist economic construction developed all-roundedly. But how should we conduct our socialist economic construction? How should we manage our socialist national economy? These were questions of great historical significance placed before the party and the whole people. At that time China was learning from the Soviet Union in all respects. Could we copy the Soviet model and gain fruitful results? Comrade Sun Yefang was well versed in theories of economics and had a great deal of practical experience in economic work, and he was an expert in Soviet economic theory and practice. But he did not subject himself to the influence of tomes of work, or his superiors, or "foreign" authority. He actively carried on scientific research work and made extensive investigations, and, through watching the surges of the socialist construction, sharply exposed a series of striking contradictory phenomena:



It is obvious that the socialist system is meant to open up broad prospects for the enhancement of technology and the development of the productive forces, but how could it be that some enterprises were doing the foolish thing of "reproducing antiques" and "freezing technological progress?" In these days of fast technological advance, why should our enterprises "invisible loss" when dealing with depreciation of fixed assets? It is well known that profits of enterprises are the important sources of socialist accumulation, but why don't our enterprises dare to touch the topic of "profits," or grasp "profits" as a matter of course? Why should our enterprises spare no effort to obtain capital from the state on the one hand, and fail to make full use of the capital granted on the other? The socialist economy should have been lively and brisk, but in actual life there was dislocation in the relationship of demand and supply, market reflection was not sensitive, adjustments were not flexible, resulting in a great amount of waste--what were the causes of all these? Comrade Sun Yefang went to the Soviet Union in 1956 for investigations and study, and he discovered similar problems occurring there. He resolutely asserted that China must search for her own mode of socialist economy, eliminate all these maladies and thus be able to give full play to the superiority of the socialist system.

Where did all these maladies come from in the management of the economy? Based on a great amount of investigation, he first raised many questions in the light of policy, and asserted that these maladies were caused by certain incorrect policies in economic management. Also he put forward corresponding new proposals on economic policies. For example, he discovered that because the power of economic management was overconcentrated and this unified leadership over-emphasized the importance of grasping "total output value" which in effect was the material quantity, great waste existed owing to the disregard of economic results, cost and profits. He held that the top leadership should grasp the "major power" and let the enterprises have the "minor power." He also held that "total output value" should give place to "profit" targets which should be treated as the "central" links, and by means of this other targets of the enterprises could be examined and the principle of economic results could be implemented in all economic activities. He discovered that because in economic management the system of gratuitous supply of fixed assets was practiced and the profit rate was calculated on cost only, the enterprises naturally strove for more investment but they did not make good use of it. He proposed that this system should give place to conditional supply of fixed assets, calculation of profit rate on the basis of capital and the adoption of the system of pricing based on production cost. He discovered that because the financial control concerning the restructuring and adjustment of fixed assets was inappropriate, as a result the phenomenon of "reproducing antiques" and "freezing technological progress" occurred. He proposed that the "power" of renewing fixed assets should be given to the enterprises and the problem of granting new investments should be treated separately. He also strongly asserted that socialist circulation should replace the method of "material transfer" then prevailing in economic management, so as to overcome the defect that various departments and enterprises did not pay enough attention to economic accounting and economic results, and the malady of "eating from the same big pot." In short, from the year 1956 when he first published his article "basing plans and statistics on the laws of value" to the year 1964 when he was deprived of his right to publish his articles, all his articles, speeches and research reports were centered on problems concerning the current economy and economic policies.

As a prominent economist, Comrade Sun Yefang not only directed people's attention from problems of practical life to problems in the light of policy, and further to the height of theoretical analysis, that is, the problem of the function of value and the laws of value under the socialist system. In fact, the "total output value" which meant the targets of material quantity were emphasized one-sidedly and the function of "profit" targets in economic management was neglected, and, regarding the problem of depreciation of fixed assets, only "visible loss" was considered and "invisible loss" neglected; the function of pricing based on production and profit rate based on capital was disregarded, and product circulation was replaced by "material transfer" and the principle of economic accounting and economic results was replaced by "eating rice from the same big pot"; all of these things amounted to negation or disregard of the objective existence and great significance of value and the laws of value in socialist society. And the loss of manpower, material power and financial power resulting from the above situation was, after all, equivalent to the loss of social labor or "value." As early as the 1950s, he published several articles such as "on value" and others, which were full of vigor in terms of theory and argumentation, in an attempt to elucidate the function of the laws of value in the socialist economy on the basis of combining theory with practice. He stood firm against the meaningless "dispute of concepts" but still accepted certain exceptions if the dispute could lead to better elucidation of practical problems. He said: "In our socialist society, attaching importance to the concept of 'value' means attaching importance to economic results." (Sun Yefang: "Certain Theoretical Problems Concerning the Socialist Economy," People's Publishing House, 1979 edition, p 121.) (The other quotations that follow, if they are taken from the above work, will be marked with the page number only.) It is precisely this kind of active theoretical argumentation that makes his works especially militant.

#### Criticizing "The Concept of Natural Economy"

Why should some of our comrades negate or neglect the objective existence and important function of the laws of value in socialist economy? Comrade Sun Yefang directed the analysis of certain maladies then existing in the management system of the national economy into a more intensive stage. He asserted that an important cause was that some comrades consciously or unconsciously accepted a point of view which erroneously regarded the socialist economic relationship (especially the internal relationship of the economy owned by the whole people) as "a kind of material economy similar to the primitive communist society, and these comrades discarded the concepts of value, price, currency and profit as "things pertaining to the capitalist commodity economy." (p. 60) This point of view not only emphasized concentrated and unified management one-sidedly, but also regarded, quite mistakenly, the socialist planning as something similar to management by a chief in the economy of the primitive tribes. The comrades holding this view considered the relation of production as "clear as daylight" and the circulation of products was only a kind of shifting things from hand to hand, and the calculation of value and exchange of equal value were of no practical consequence. (p. 60) Therefore, according to this viewpoint, "the task of political economics is only a branch of science that calculates and plans the ratio relationship of the material quantity between various departments and between various products in the national economy."

(p. 60) Comrade Sun Yefang called this erroneous viewpoint "the concept of natural economy." He thought that it was precisely this "concept of natural economy" that brought about grave effect and consequences in our economic theory circles and in our economic work during the 1950s and 1960s. Only when the influence of this viewpoint was cleared out theoretically could the work of reforming the economic management system be promoted. Therefore, all his works in the 1950s and 1960s made the "concept of natural economy" and its effect the main target of criticism on a theoretical basis. In a recent talk during his sickness, he once again emphasized this point.

Where did this "concept of natural economy" come from? Comrade Sun Yefang once mentioned the influence exerted by the Soviet economic theory and practice at that time, but it was the "external cause" after all. He went further to analyze the objective basis and the subjective cause that gave forth the "concept of natural economy."

Comrade Sun Yefang held that an important objective cause for the influence of "concept of natural economy" on some of our comrades was due to the fact that "the elimination of the private ownership system and the subsequent elimination of aimless and spontaneous exchanges of market commodity had induced a misconception in the people's minds," and many people thought that the whole society (at least the economic system of ownership by the whole people itself) has become a unified factory, and "division of labor in society had already equalized the division of technical work within a factory." He cried out loudly that this was "a great misconception." It was because division of technical work took place within a unit with independent accounting, but division of labor occurred between various units with independent accounting. If these two were equalized, naturally there would not be any necessity for economic accounting, the laws of value, exchange of equal value or circulation. (pp 205-207)

Comrade Sun Yefang further asserted that "idealism" (or "the theory of the unique importance of the will") was a subjective cause for the prevalence of the "concept of natural economy." He thought that the essence of "the will theory" lay in the absolute negation of the objectivity of the rules of economy, and in "describing" the economic phenomena and problems on the basis of ideology and politics instead of the objective rules of economy. Persons with this "idealistic" viewpoint would think that since there were "the system of public ownership" and "overall planning" and "the big pot" would cater to the profit or loss under any circumstances, there would be no need for economic accounting and "economic account" should be substituted by "political account." They thought they could fix the prices without regard to value and could carry out "material transfer" instead of "exchange of equal value"; also they could seek after material quantity without paying attention to economic results. In a word, these persons could shed "the laws of value" and do anything they wanted without worrying about being "punished" by objective economic laws. This viewpoint of "the will theory" together with the closely related "concept of natural economy" showed themselves especially rampantly during "the great leap forward" and "the communist wind" in 1958, Comrade Sun Yefang felt very bitter at this and fought against the current. In his article "some philosophy should be learned in order to know economics," he especially criticized "the will theory" in conjunction with "the concept of natural economy."

As a matter of fact, "the concept of natural economy" together with the viewpoint of the above "the will theory" are the reflection of the "leftist" ideological trend in the theory and practical work of economy. Why should this kind of "leftist" idea be able to gain currency so easily in our society? Comrade Sun Yefang tried to answer this question in a study meeting in the early 1960s. He asserted that it was because the "leftist" things had a relatively sound foundation in society in our country--"the vast sea" of the petty bourgeoisie and the petty producers. This view of his was quite well-founded. On the one hand, the petty producers naturally cherished a spontaneous trend toward capitalism; on the other, their psychological response was of a kind of fear toward the flourishing of the commodity economy and a wish to return to the "natural economy." On the one hand, with the development of capitalism, petty producers tended to become "polarized"; on the other, being afraid of this "polarization," they showed a tendency of "absolute egalitarianism," and desired the "protection" of being able to "eat from a big pot" because of the fear of losing their economic position. Those who were affected with this kind of ideology and psychology would naturally regard the laws of value and the exchange of equal value, which were against "the natural economy," as the abyss of "crime," to be cast off together with capitalism. It was also a matter of course for them to cherish the misconception that lack of accounting, "egalitarianism," "eating from the same big pot" and unconditional transfer, which were compatible with the "natural economy," constituted the "superiority" of socialism and the "great spirit" pertaining to the socialist economic system of public ownership.

Therefore, Comrade Sun Yefang resolutely held that in order to straighten up our theory and ideology and to promote the reform of our economic management system, it was absolutely necessary to get rid of "the will theory" and "the concept of natural economy" in our political economics.

#### Searching For a Fundamental Direction of "Reform"

Although Comrade Sun Yefang often discussed concrete policies in his works, from the start he already made clear that what he touched on was in no way concrete and individual policy problems but the problem of the management system which meant the way how to grasp the "central" link to promote other aspects.

He thought that the key in the management system of the national economy did not lie in the relationship between the central organs and the local organs, but in the relationship between the state (central and local authorities) and the enterprises. The central point here was the problem that as an independent accounting unit what power the enterprise should have and what corresponding responsibility the enterprise should share. In fact, all his proposals--his idea of putting the decision-making power concerning simple form of reproduction into the hands of enterprises, his idea of making "profit" as the "central" target for evaluating the performance of the marketing of enterprises, his idea of effecting the profit rate of capital and pricing based on production cost, his idea that enterprises should have the right to sign contracts of supply and marketing with collaborated units, or his idea of raising the depreciation rate of fixed assets--were centered on the relationship between the state and enterprises, that is, the problem concerning the power and the respon-



sibility of the enterprises. Its aim was to enable the enterprises as independent accounting units to formulate a "vigorous and powerful" economic "motive force" on the basis of combining power with responsibility.

Comrade Sun Yefang asserted that the secret of all economic problems lay in how to achieve maximum economic results with the minimum labor consumption. But what determined the requisite labor consumption in society was neither the producers' concrete labor nor the abstract labor of individual producers, but was the average requisite labor in society. According to his views, the important function of the laws of value was "to promote the development of the socialist social productive force through the understanding and calculation of the average amount of requisite labor in society." (p 5) On the basis of this cognition, he held that "value" and "the laws of value" not only existed in the capitalist society, but also existed in the socialist and the communist societies, the difference being that the laws of value functioned in different forms in different societies. In the capitalist commodity economy, they regulated production spontaneously. Comrade Sun Yefang called this "the laws of market value." As for the capitalists, these laws of market value "sometimes threatened them like a demon in the form of loss or bankruptcy," and sometimes expressed themselves as extra profits "which lured them like an enchantress." As a result, they formed an enormous economic "motive force" which on the one hand prompted the capitalists to continuously improve their marketing and innovate their technology so that they can acquire the maximum profits with the minimum cost, and on the other hand made them regulate production aimlessly, resulting in economic crisis, unemployment and wars of aggression. But in the socialist planned economy, the laws of value no more functioned spontaneously, but could be utilized by people consciously, so that "their passive and destructive aspect could be eliminated and their constructive aspect could be preserved and developed" with the result that the socialist social productive force could be consistently developed. (p 5) Comrade Sun Yefang thought that the key problem in the management system at that time lay in the fact that under the influence of "the concept of natural economy," many people did not and failed to consciously utilize the laws of value to give an impetus to the socialist enterprises and the production of the whole of society. And the "reform" initiated by him was that under the guidance of the state plan and on the basis of endowing the enterprises with the necessary power and responsibility, by means of implementing "the average profit rate of capital," the enterprises would be urged to fulfill the task of acquiring the maximum economic results with the minimum labor consumption. In short, on the basis of consciously applying "the laws of value" the enterprises would be equipped with a powerful economic "engine."

It should be pointed out that before "the great cultural revolution" the "engine" for running enterprises formed on the basis of "the laws of value" advocated by Comrade Sun Yefang was only associated with "the power" and "the responsibility" of the enterprises, and had nothing to do with the economic benefits of the enterprises themselves. This was understandable. At that time, in order to let more people understand his theory and his policy ideas, he did all he could to make a distinction between the function of his "laws of value" in the socialist economy and the function of his "laws of value" in the capitalist economy. He did his best to draw "a line of demarcation" between socialist

socialist profits and capitalist profits, and once asserted that the profits of the enterprises should be handed over to the state and he was against "the bonus system" and the idea that "part of the enterprises' profits might be reserved." After the smashing of the "gang of four" he changed this point of view and seriously made self-criticism publicly. He said that in the past he "was generally against the bonus system and the enterprise reserve and advocated the complete surrender of the profits to the state. The above viewpoint is wrong and is harmful to the improvement of production." He called this a kind of "leftist" ideology. (preface, p 3) From that time on, he actually placed the enterprises' economic "motive force" on the basis of combining power, responsibility and benefits, and in this way he further made clear the fundamental direction for the reform of the economic management system.

For the last few decades, Comrade Sun Yefang has profoundly expounded the necessity and the direction for the reform of the economic management system on the basis of combining theory with practice. He has made significant studies of those problems concerning this "reform" such as what should be "broken up" and what should be "established" and how to "establish" it. All this has made him "an initiator" in the field of reform of the economic management system in the economic theory circles. His contribution to economic theories can be further recognized if the economic theories at home and abroad are considered jointly.

First, the problem of combining macroeconomy with microeconomy in socialist society. Comrade Sun Yefang asserted that the management system of the national economy had to be "reformed" and the key point of "reform" should be centered on the relationship between the state and the enterprises. What he referred to here was in effect the problem of "concentrated power" and "diversified power" or the problem of "centralization" and "diversification" under the socialist system. Planning of the national economy is a kind of superiority of the socialist economy. But if the planning is "centralized" too much, the economy will be "locked," thus losing the economic "motive force" and therefore the efficiency. The problem of how to correctly handle centralization and diversification, and of the combination of the planning of the national economy with the economic "motive force" has been for the last decades the problem which various socialist countries in the world have been trying to look into and solve. People can still well remember that for a long period after the October Revolution, most of the Marxists held the view that by means of the planning of the national economy the socialist economy could be assured of development at a high speed and without any crisis, and the problem of the internal impetus within socialist enterprises were neglected. At the same time, some capitalist economists in the Western countries associated the problem of microeconomy only with the capitalist private ownership, and they charged that the socialist public ownership and planning strangled the "motive force" of enterprises and thereby seriously hurt the microeconomy the core of which were the activities of the enterprises. Under this influence some Marxists also worried that "excessive" emphasis on the position and function of enterprises would "disintegrate" public ownership and planned economy. However, the practice in the construction of many a socialist country after World War II continuously raised the question of how to combine planning of the national economy with the economic impetus of enterprises, and the economists of many countries also centered their studies on this problem. Based on the practical

experiences both at home and abroad, Comrade Sun Yefang summed up a very important experience: If the regulation of the "scope of power" between the state and local authorities were confined to the boundary of macroeconomy, the cycle of the problem "tightening up--paralysis--letting go--disorder--tightening up" was bound to recur, and this problem could be solved only when the socialist microeconomy was established so that the enterprises run by the state could become independent accounting units on the basis of integrating the power, the responsibility and benefits. According to his idea, the state should grasp such "major power" as changing the production direction of the enterprises, adjusting the relationship of the original association and of the supply and marketing, and the decision on new investments; while the enterprises should possess such "minor power" as making contracts of supply and marketing, determining the quantity, species and specifications, and renewal of fixed assets. The state should carry out planning through the strict adherence to the terms of the contracts, and determine the extent of production and investment by comparing different kinds of economic results and by grasping the profit rate of capital and pricing based on production cost. In this way, the situation of "management without stagnation and flexibility without chaos" could be achieved. In other words, the socialist planning would be well combined with the economic "motive force" of the enterprises. His idea of placing planning on the basis of "the laws of value" was in effect the establishment of a basis of microeconomy compatible with the socialist macroeconomy, so that these two could be formed into an entity which would be both lively and prosperous.

Things never come singly. For more than 10 years the economists in the West have often been discussing the "combination" of the macroeconomy with the microeconomy under the modern capitalist system. After World War II, the principal capitalist countries such as the United States and Great Britain centered their attention on [words indistinct] economy, and they implemented the policy of keynesism so as to inhibit economic crisis. But since the 1970s, with the failure of keynesism, new economic difficulties have forced certain economists to center once again their attention on the "combination" of the macroeconomy with the microeconomy. Take the following incidents for example. (1) The energy crisis in the 1970s showed that the fluctuation of the market for individual commodities not only exerted great impact on the macroeconomic management of a particular country, but also on the economy of the Western world as a whole; (2) the rational distribution and utilization of resources required the study of the microeffect brought about by the policy of the macroeconomy, such as the selection and preference of certain departments within the budget of public expenditure, the disincentive problems brought about by the great amount of "welfare" facilities including "eating from the same big pot," "low efficiency," and others. Therefore, many people suggested that "a microeconomic basis" should be established for the modern capitalist macroeconomy so that the management of the macroeconomy could "be practiced with efficiency." It is true that the problem put forward by the Western scholars is entirely different in nature from the problem we are discussing concerning the management system of the socialist economy. However, cross reference can be made to a certain extent regarding the study of these problems.

Second, the problem of combining planning with marketing. Comrade Sun Yefang suggested that the planning of national economy should be placed on the basis of "the laws of value." From another point of view, this would amount to the



problem of combining planning with marketing. This problem was also the problem which the socialist countries studied for a long time for solution. From the history of the development of Marxist economic theory, people's understanding of this problem has gone through at least three stages: (1) the stage of Marx and Engels. The socialist economy which they envisaged would be established on the basis of a highly developed productive force and established throughout the world at the same time, and it would not have any commodity production and market mechanism. They held that planning would be incompatible with market mechanism. They held that planning would be incompatible with market mechanism. (2) The stage of Lenin and Stalin. In the early 1920s, the Soviet Union had made an attempt to eliminate commodity production and commodity exchange during the period of "war-time communism" and this was soon superseded by "the new economic policy." Throughout the whole period ruled by Stalin, most of the Marxists regarded the laws of value as "a foreign matter" which had to be tolerated by the socialist economy. Or they held that under the socialist system the means of production only possessed "the outer shell" of commodity. (3) The period after World War II. Especially since the late 1950s, more and more Marxists have held the view that for the socialist economy commodity production, the laws of value and marketing are by no means "foreign matters" but are organic components of the economy itself. The theory of Comrade Sun Yefang has its own characteristics. On the one hand, he associated commodity production and commodity economy with the self-functioning laws of value, and asserted that the socialist economy was not a kind of economy but was a kind of planned economy that would inherently follow the laws of value; on the other hand, he resolutely opposed the view that the laws of value, exchanges of equal value and commerce should be considered as "remnants of capitalism." (pp 67, 79-80) He asserted that these things were inherent in the socialist economy, and even held that "the laws of value" would still exist in the stage of communist. Between Comrade Sun Yefang and some other scholars at home and abroad there is one difference in economic theories: He has held the view that the laws of value and the circulation of products are the requisite tools in realizing a planned economy.

In short, the problem of the management system of the socialist economy has been an important subject of discussion for a very long time among the broad sections of scholars in the world. Comrade Sun Yefang is one of the outstanding representative personages in the theoretical circles of economics in our country. For decades he took infinite pains in studying and solving this problem. His theoretical studies are successful and fruitful. Nevertheless, he never considered his theory and his mode of expression to be "perfect." In fact, I personally have the opinion that in his system of theory many contradictory points are still left unsettled (such as what he defined the dislocation of "the laws of value" and "the commodity production"), and some of his points are open to discussion. During his illness he often expressed his regret that he had not completed a system of theory. But in fact he is not at all to blame, because the practice of socialism only has a history of 60-odd years after the October Revolution in the Soviet Union and the history of our socialist construction is only 30-odd years. History is not long enough and experience is not rich enough; on this basis it is naturally very difficult to establish a complete system of economic theory or to form a perfect "mode" for the socialist economy. As for the management system of the national economy, our country as well as other socialist countries are making investi-



gations and searching for "a path" or "a mode" suited to the concrete conditions of each individual country. This incomplete theoretical system of Comrade Sun Yefang is precisely the typical product of our times. It appropriately reflects the economic characteristics of our times and the specific conditions of our country. It is precisely because of this that his views are more precious. The achievement attained by Comrade Sun Yefang in his theoretical work surely deserves our respect; but more worth our learning from are his scientific approaches in adhering to the combination of theory with practice and his scientific spirit of sticking to the truth and rectifying mistakes. We should learn from his working style in studies and his scientific spirit and, on the basis of his attainments, strive continuously to scale the heights of science.

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## NATIONAL POLICY AND ISSUES

### ENHANCE ROLE OF COASTAL CITIES

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[Article by Huang Daming [7806 1129 2494] and Jin Zhi [6855 1807] of the Shanghai Economic Research Center, and Hu Runsong [5170 3387 2646] of the Economic Research Office of the Shanghai Municipal Planning Commission: "Develop Economic and Technological Cooperation to Enhance the Role of Cities in Coastal Areas"—passages within slantlines published in boldface]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee and following the readjustment of the focal point of work and elimination of the "leftist" errors, economic and technological cooperation between localities has greatly developed. It has the objectives of realizing the interests of the whole society and organizing socialized large-scale production. It is a new type of horizontal economic relation, being relations of mutual aid and mutual reliance based on planned economy which embodies the socialist principle of ownership by the whole people and aims at the continuous satisfaction of the daily increasing material and cultural needs of the people. Its development will help in the perfection of our country's socialist production relations and development of the productive force and will certainly play an important role in promoting the overall growth of the socialist economy of our country as well as realizing the strategic objective of quadrupling the gross value of our country's industrial and agricultural production.

#### I.

Since the 3d Plenary Session of the 11th CPC Central Committee, our party Central Committee has advocated the guideline of "bringing the superior points into full play, protecting healthy competition and promoting combination." This has produced the beneficial effects of achieving a new development in economic and technical cooperation between Shanghai and its brother provinces and municipalities. In addition to the further strengthening of cooperation between Shanghai and its brother provinces and municipalities. In addition to the further strengthening of cooperation in matters of material resources between the localities, Shanghai has also assisted in solving the management and technical problems encountered in the development of the light and textile industries in the interior provinces. The trend of the economic and technological cooperation is as follows: Developing from barter trade and cooperation in processing to comprehensive economic and technological cooperation and combination; developing from short-term technical assistance to long-term fixed

cooperation; developing from production cooperation to mutual consultation in management and control and also mutual consultation in economic intelligence and training of personnel; developing from combination between enterprise units to multi-sided combination on a relatively large scale; and so on. According to incomplete statistics, since 1979 Shanghai has established with 17 provinces and areas over 200 economic combines of various kinds, given or ceded to the latter over 900 fruits of success in various categories and fields of scientific research, started some 1,200 cadres of technical service activities and accepted over 1,400 requests for undertaking various kinds of scientific and technological experimentations and trial production. All this has played an important role in promoting Shanghai's industrial production, in improving the technological and management level of industrial enterprises in the interior, and in uplifting the economic benefits of the whole society.

The benefits derived from the further development of economic and technological cooperation between the localities in the past 4 years are principally shown in the following 4 directions:

/(1) Under the conditions of without increasing the state's investments and without establishing any new organizations, the existing hidden potential of the enterprises has been fully tapped and a relatively rapid growth rate through a process of readjustment has been achieved./ At present, our economy is an important period of strategic transformation. In the course of the transformation, economic and technological cooperation can bring about two changes, namely, transforming the advanced technical level into an average labor productivity rate of the society. This is taking the road of expanded reproduction by intensification, which is a new road to speeding up the four modernizations. According to comments of comrades in Yichang County, Hubei Province and in Mingshui County, Heilongjiang Province, development of technical cooperation in the textile and confectionery industries has promoted industrial development in the localities. It has fostered the rapid development of the raw products industry and the animal husbandry industry and facilitated a change in the appearance of the enterprises. Following cooperation, the output value and profits of Yichang County's textile industry have improved by 300 percent and 150 percent respectively. Profits from each cloth-weaving machine have increased from 1,915 yuan to 9,751 yuan while profits from each spindle have increased from 35 yuan to 100 yuan.

/(2) Cooperation has helped in linking together the relatively advanced technology in processing work in the coastal areas and the rich resources of the interior provinces, allowing each to fully display its superiority, to give play to its strong points and to avoid its weak points, and improving the utilization rate of the resources./ The interior of our country possesses plentiful natural resources and is especially noted for its animal, mining and forestry resources and its rich varieties of plants. Since the initiation of the past 5-year plan, the state has gradually laid stress on industrial construction in the interior provinces where a host of new industrial bases have been established. These bases possess good conditions for development and are well equipped with plant buildings, equipment, raw materials, energy resources, and land. But due to a rather late start in the construction work, some of the localities have not yet acquired the desired momentum in development and are still weak in opening up and making comprehensive use of their resources while some other localities are backward in management, operation and technical control

and have generally shown poor economic results. As to the old industrial area along the coast, although they have economic knowhow and rich management experience, they lack raw materials and are short of plant buildings and land. In this way, if economic and technological cooperation between the two localities is strengthened, they can take advantage of each other's strong points and overcome their shortcomings and each will be enabled to fully display its talents and achieve its special purposes.

/(3) Cooperation has helped in readjusting the geographical distribution of the enterprises, making a rational reorganization of the productive forces of the whole society and uplifting the level of the country's industry./ Over the past 30 years and more, the state has made huge investments in the interior provinces. The total amount of the investments exceeded by about 150 percent those in the coastal areas. In the interior, some of the enterprises are equipped with better plant buildings and equipment than those in the old enterprises in the coastal areas. If relatively more advanced technology, skills and management techniques and experiences can be transplanted to these plants in the interior, the quality of the latter's products can readily be improved to be among the front ranks. A special investigation conducted by the Chinese people's construction bank has found the following: In the country there are 51 plants producing sewing machines. The number of sewing machines produced per worker is found to average 84.2 in the country as a whole but 246.6 in Shanghai; the profits produced per each 10,000-yuan worth of fixed assets averaged 3,206 yuan for the whole country but 12,253 yuan for Shanghai. As for the profit yield from each sewing machine, the average for the whole country was 18.5 yuan whereas that for Shanghai was 29.38 yuan. If production of sewing machines in the whole country can reach Shanghai's relatively high level, then on the basis of the current value of the fixed assets the volume of output can be doubled and the profits can increase by 200 percent. More or less the same situation holds for many other industries such as the bicycle industry and the wrist-watch industry.

/(4) Cooperation has helped in breaking the "ownership" bondages imposed by the departments and localities, in forming an economic network centered on the coastal areas and based on the demands for specialized cooperation and the principle of economic rationality, and in making contributions to the reform of the existing economic structure./ A system of economic and technological cooperation which reaches across provinces and municipalities, localities, and departments, which breaks through the old established state separatism, which manifests the internal organic relations of socialist large-scale socialized production, which strengthens the system of regional economy with large cities and towns as centers, and which improves the existing structure of economic control--such a system will provide valuable experiences for the reform of our country's economic structure.

In brief, in such a vast country as that of our characterized by very uneven economic development between the coastal areas and the interior, development of economic and technological cooperation between the localities conforms to the national conditions. It creates good conditions for the realization of the strategic targets of developing the whole national economy.



## II.

In the upsurge of our efforts to promote the development of a socialist economy, in what way can cities and towns along the seacoast further perform their role as economic centers? This is an important lesson facing us.

In the economic development of cities and towns in the coastal areas, we must implement the spirit of "internal combination and external expansion," also called "internal combination and external 'crowding' or 'squeezing.'" We must start from the existing foundation, confront the new situation, size up the developments and do a good job. In our opinion, in strengthening the economic and technological cooperation between Shanghai and the brother provinces and municipalities, we must perform well the following tasks:

/(1) The form of economic and technological cooperation should gradually proceed vertically to a higher plane and gradually expand horizontally./

At present, the economic and technological cooperation between Shanghai and the brotherly provinces and municipalities takes 5 different forms: Joint marketing, compensation trade, technological cooperation, joint-capital operation, and combines. Of these five organization forms, the first three are relatively loose or cooperation forms. There is no change in their original organizational structure and they usually have a set time limit. The remaining two forms are, relatively speaking, more closely-knit combination forms, coming into being only in the past few years. They envisage a relatively longer period of cooperation and in certain cases a lasting combination is contemplated. Each form has its special features and is suitable to different conditions and to different stages of economic development. Since we are still in the exploratory stage, the adoption of a few loose combination forms accords in general with the law of development. However, from a long-term view, it is likely that there will be a gradual increase in the cooperation forms on a joint-capital basis between Shanghai and the brother provinces and municipalities and this should be duly reflected in the formulation of the long-term plan for the national economy. At present, the scope of the cooperation items embraces principally consumer materials. From now on, it may be gradually expanded to include other industries and trades such as electronics, metallurgy and chemicals. If the cities and towns in the coastal areas can step up their transfer of technology to the outlying middle-sized and small cities and towns and the transfer of a full complement of technology, workmanship and management experience concerned in the making of their "ripened" or outstanding products to the interior, then this can effectively raise the level of industry of the whole society and can also raise the modernization level of the entire industry of our country. It will further make room for the cities and towns in the coastal areas to use their plants and energy to concentrate on the making of products for export.

/(2) The tasks of economic and technological cooperation are to strengthen technological development and to increase our country's capacity in regeneration and self-reliance./

At present, Shanghai has made some progress in the "external expansion" of trade, although still not enough. For many years, Shanghai's "external expansion" has

centered principally on light and textile products, while export of heavy industrial products has made up only slightly over 10 percent of the total value of exports, consisting mostly of small lathes, standard machine parts, and petroleum products. Fortunately, in more recent years, intense efforts have been made to expand the export of heavy industrial goods. In 1981, the ratio of export of heavy industry products out of the total exports already increased from 12.3 percent in 1978 to 20.2 percent. Take electric machinery goods for example: of some 11 products imported from abroad, Shanghai managed to produce them for export in the same year of their importation and introduction and, in general, an average of 2 or 3 years was required for Shanghai to produce the same kinds of products for export, once imported. By 1981, the number of varieties of machinery equipment exported by Shanghai had expanded to over 300 and its ship-building industry had signed contracts with foreign merchants for the building and export of 60 ships with a gross tonnage of 575,300 tonnes. Unfortunately, most of Shanghai's products are still far from the accepted international standards in many respects. For example, only 10 percent of the machinery products are imitations of Soviet patterns and at the most can match their foreign counterparts of the 1950's and 1960's. Needless to say, much time must still be spent on their remaking, on further studies and investigation and on planning of new products. At present, the scientific and technical personnel are usually busily engaged in the tasks of rebuilding old products. According to a survey made by a research institute on the precision instruments system, only 2 to 3 percent of these personnel are devoting their time to studying, planning and designing new products. This definitely falls far behind "external expansion" needs.

Hence, for a city in the coastal areas such as Shanghai, there is an urgent need to solve the problem of opening up, conserving and accumulating its own technology and to establish an integrated system of control over the development of new technology. The enterprises must be encouraged to trial-produce new products, to speed up beforehand studies and actual trial-making of new products, and to shorten the time lag between successful trial-production and ultimate production. Emphasis must be laid on continuous creation and exploration of new technological areas. A technological ladder-system must be installed so that, on the one hand, the advanced knowhow, products, personnel and management and control experiences of cities and towns in the coastal areas are continuously and in a planned manner transferred to the brother areas and so that the cities and towns may play an intermediary role in the transfer of advanced foreign technology to the latter areas. On the other hand, steps must be quickened to perform well the job of digesting and absorbing imported foreign technology and strive to make the various kinds of home products reach international advanced levels, thus enhancing their competitive power internationally and breaking into the world market.

/(3) The key to economic and technological cooperation is to extensively organize joint operation between industry and commerce, between agriculture and commerce, and between commerce and commerce, to establish commercial networks and points in economic areas and thus to further activate the market./

The circulation channel provides an indispensable link to the realization of the transfer of the means of production and the means of living to the production and consumption sectors. Given the production of goods and the existence of human wants, blocking of circulation channels will stifle sales, and the above-mentioned transfer cannot be realized while reproduction cannot be sus-

tained and economic and technological cooperation will die a premature death. For this reason, the intensive organization of joint-operation between industry and commerce, agriculture and commerce, and commerce and commerce serves the purpose of speedily restoring the role of cities and towns in the coastal areas serving as trading centers. A nationwide commercial network will thus be formed, and, through commercial intercourse and the meeting of each other's needs, urban and rural markets and markets in the coastal areas and in the interior will be organically joined together. The establishment of wholesale networks in economic regions has the purpose of rationalizing the flow of commodities, reducing the cost of circulation, and removing the backward state of marketing of minor commodities in a round-about way and regional separatism. Take for example the changes effected in the Shanghai market. Here, in the past, only local products were available but now only products from nearby regions such as Jiangsu and Zhejiang are available but also products from other places such as Guangzhou, Xinjiang, Nei Monggol and Qinghai are available. This not only enriches the Shanghai market and makes it prosperous but also assists the brother areas in opening up their production and circulation channels and ensures the realization of the economic benefits of the localities and departments.

/(4) Essential conditions for economic and technological cooperation are formation of communication and transportation networks to meet the development needs of the horizontal expansion of economic relations./

Communication and transportation constitute the vanguards of the national economy. Without appropriate communication and transportation facilities, cities and towns can hardly perform their role of economic centers. Hence, intense efforts must be made to build healthy communication networks and to improve transportation efficiency. Rational plans must be laid for long-, medium-, and short-distance transportation, for high-, medium- and low-speed transportation; and for water, land and air transport. We must deepen the water lanes, expand and build harbors and strengthen through passenger and freight transport on railways, highways and shipping lanes. Only by enlivening the communication centers can a close economic link between the localities be effected and the steps in economic and technological cooperation activities be quickened. Otherwise, it will be impossible to achieve good horizontal economic relations.

### III.

At present, our work is at a crossroads between a new road and an old track. The direction of the new road is clear enough, but the steps taken have not been quick enough and seem to have been stalled at the old methods and the old track. They do not seem to meet the requirements of the development of the whole national economy. The reasons are that certain problems of understanding still exist in regard to structure, policy, work and also thought. In our opinion, in order to enable economic and technological cooperation to develop more smoothly, we should lay stress on the solution of the following three problems:

/(1) Structure./ This is the principal and the most important problem. As a new type of economic organization form, "transprovincial/municipal" economic and technological cooperation in the current economic structure seems to be going against the current and meeting with knotty navigation problems. The principal problems is found in the contradiction between horizontal economic relations and technological cooperation on the one hand and restriction from a vertical system of control on the other.

The emergence of a "transprovincial/municipal" economic combination body breaks the confines of administrative regions. It widens horizontal relations and illustrates the organization of production according to the natural flow of commodity production and rational economic principles. It represents an important attempt at reforming the existing economic management and control structure. It shows that the steady development of the productive forces poses a demand for rectification of the inappropriate links in the current production relations, and is a beneficial opposing force in this connection. To solve the contradictions between the horizontal and the vertical, that is to say, to readjust the conventional relations and to bring about a rational organization, will meet with a series of problems concerning authority, control and benefits. At the present stage when the time has not yet come for a complete overhauling of the existing organization structure, it is worthwhile probing whether, in view of the contradictions met with by the economic combination bodies, some appropriate reforms can still be made. Take for example, the case of the joint operation between the Shanghai No 3 sewing machine plant and the branch plant in Wujiang, Jiangsu Province. They formed a joint operation committee, but its two principal branches of work, namely, production operation and business management on the one hand, and political work and mass work on the other, came under two different spheres of control and administration. The former was under the jurisdiction of the products expansion unit while the latter was under the jurisdiction of authorities in the localities. The organization department of the local CPC committee refused to approve members of the joint operation committee and objected to according recognition to the plant's "advanced workers." This literally put the plant in a state of vacuum. Obviously, the existence of such a kind of dual leadership and dual subordination status needs to be rectified and an appropriate system of control should be installed.

/(2) Policy./ This relates to policy problems concerning distribution, statistics, extent of capital construction targets, economic arbitration, and so on. The major problem is the distribution policy not being sufficiently rational. This is reflected in the following: in material products, the problem of the percentage apportionment of new products; in regard to value, problems concerning fund distribution, salaries and wages, welfare and taxation; and in regard to regional relations, problems concerning the correct handling of the relations on economic and social benefits between the regions.

Over the last 4 years, according to statistics of the municipal finance bureau, Shanghai's share of profit earnings from the technological cooperation with the brother provinces and municipalities amounted to roughly 1.6 million yuan. The regulations required that of profits over 50,000 yuan in amount 50 percent should be remitted to the state, following which the balance would be distributed as follows: 40 percent as production development fund; 35 percent as collective



welfare fund; and 25 percent as bonus fund. The small amount of funds available discourages the enterprises from setting aside reserve funds for new technology. It restricts the trial production of new products and the new products entering into formal production. Moreover, profit yield from new products is low and in fact losses are frequently incurred at the start. This affects the ultimate earnings of the enterprise. Since the workers and employees can derive little therefrom, the encouragement to them is not at all great.

Concerning taxation, the problem is whether or not it is possible, based on the actual conditions, to commute or reduce the taxes in the first few years of the operation of the joint enterprises of the provinces and municipalities. As for price calculation, whether or not it is possible to give some accommodation or consideration to the cooperation units which provide raw materials as the main contribution by allowing the prices to be computed on the basis of the average profits of the system or trade, while as the statistics coverage, the problem is whether or not it is possible to have the computation of the targets of the output value and profits made separately on the basis of the respective shares of investments of the two parties concerned reverted to and separately incorporated into the state-set targets for the respective localities or parties; and so on. In short, in view of the many new problems arising in technological cooperation and economic combination, it is necessary to revise and formulate an appropriate new policy. At least, certain accommodation measures should be devised, or some provisional agreements or rules made so that these new economic organization forms may gradually attain perfection.

/(3) Planning./ At the present stage of the development of economic and technological cooperation, in the majority of cases, a make-do policy is adopted. This is unavoidable at the initial stage, but speaking for the country as a whole, economic and technological cooperation must conform to the strategic arrangements of the national economy.

At present, cooperation channels are mainly three in number, namely: 1. Leadership of the provinces and municipalities taking the initiative and linking up with each other; 2. Cooperation made at the request of appropriate industrial departments; and 3. Dependence on introduction by friends and acquaintances. Of them, the latter two categories, particularly the third one, are predominant. Unfortunately, they are more or less of a blind nature (incompatible with market capacity or irrational as regards geographic distribution of enterprises). As a result, they may be likened to many small streams each pursuing its own course. The prevailing situation may be described as the existence of the phenomenon of "five many's and five not-many's," that is to say, many among the people, not many in "official quarters"; many of a spontaneous nature, not many with planned development; many collective-owned or commune or brigade-owned enterprises, not many enterprises owned by the whole people; many short-term services, not many long-term joint-operations; many in the talking stage, not many successes in talking. Conditions of this kind far from comply with the demands outlined in Comrade Zhao Zhiyang's 10-point program, namely, "development of various forms of economic combination," and "formation of various kinds of economic centers and organization of rational economic networks, relying principally on the large and medium-sized cities and towns." They are at variance with the earnest hopes and wishes of the fraternal provinces and municipalities and also with Shanghai's position and strength in the country as a whole.

Hence, we must strengthen planning, abide by the objective law calling for the regional division of labor of the society, pay full attention to rational economic principles, make a careful selection of the combination items and cooperation points, give play to the economic superior points of different localities, and study and search for the projects which ensure a rational geographical distribution of the industries. Moreover, steps must be taken to curb blind development projects. For example, we may cite the example of certain departments and enterprises in Shanghai actually doing compensation trade in bricks and tiles with certain commune-run or brigade-run enterprises in Zhejiang's Jiaxing region. According to statistics, as a result of this deal, Jiaxing suffered a reduction of 15,700 mu of cultivated land and 3,000 mu of mulberry fields. In the short run, both parties may have been able to solve certain problems but in the end not only will it be disadvantageous to agricultural production in Zhejiang Province, but the supply of agricultural and sideline products to Shanghai may also be affected. For this reason, in considering economic and technological cooperation, we should not start from the advantages to certain areas or certain enterprises but should give careful thought to the benefits that may accrue to the national economy as a whole. This denotes the importance of long-term planning.

#### IV.

Finally, concerning the problem of further developing the transprovincial/municipal and transregional economic and technological cooperation and bringing the role of the central cities and towns in the coastal areas into full play, we wish to make the following two suggestions:

##### /(1) Strengthening regional relations, developing regional planning./

In essence, transprovincial/municipal economic and technological cooperation is a new type of horizontal economic relationship set up between large cities and towns in the coastal areas and medium-sized and small cities and towns and the countryside in the interior, that is to say, a rational economic network with large and medium-sized cities and towns providing the backing and support. Its purpose is to make the whole country reach the level of cities and towns in the coastal areas via a quick road requiring little investment but producing high benefits and speedy results. This represents a strategic transformation. Objectively, economic cooperation implies that internal cooperation supports external expansion while external expansion benefits internal cooperation. This is a new road in development that cities and towns in the coastal areas should take. Speaking from the standpoint of time, space and resources, only through internal cooperation can there be ground for external expansion, while from the standpoint of technology, management and operation only through external expansion, and introduction, absorption and digestion of imported products can internal cooperation be strengthened and developed. Hence, economic and technological cooperation must be combined with the transfer of advanced technology, management and experiences, with the products being systematized, specialized and rational and with the geographical distribution of industries in the whole country being rationalized. For this reason, regional planning must be strengthened. Large cities and towns along the coast must, on the strength of their own industrial background, technology, resources, communications, environments

and other conditions, examine the readjustment of their industrial structure and the structure of their products, retain their exportable main products, transfer certain of their products for general processing, and eliminate certain products of the primary grade which are not suitable for development in cities and towns along the coast. Following such a rational readjustment and carrying a light burden, they can thus proceed full speed ahead with external expansion. As for the medium-sized and small cities and towns in the interior, they should take advantage of their good points, avoid their shortcomings, and bring the superior features of their respective localities into full play and then form, according to trades, professions and variety of products, various kinds of joint-operated companies or combines with cities and towns in the coastal areas. Some of the combines may engage in long-term production or assembling activities. In this way, by means of joint development and combined operation, a united and strong external expansion force may be formed to bring about an organic coordination and development of the economy in cities and towns along the coast with the economy in the interior. On the part of Shanghai, it should, in special coordination with the development plan for the economic area of the Chiangjiang River delta and taking stock of such factors as industrial distribution, population distribution, environmental protection, development and utilization of energy resources and water resources, and construction and improvement of harbor facilities and shipping lanes, form itself into a comprehensively planned economic cooperation area for production, consumption and foreign trade.

In short, large coastal cities and towns should serve well as technological windows for the introduction and digestion of international advanced technology and, in company with industries in the interior, form themselves into a socialist modernized economic structure possessing an economy enjoying the benefits of a benignant cycle.

/(2) Transprovincial/municipal economic cooperation must be incorporated into the state's unified plan./

At present, transprovincial/municipal cooperation has exceeded the limits of simple cooperation in material resources and the original relevant regulations of control cannot meet current needs. Thus, in the vertical central direct plans, cooperation forms have not yet been contemplated for activities between a raw materials production area and a processing area in which one side provides capital, technology and equipment and the other side provides raw materials and energy, or in which the two parties exchange with each other what they have with what they have not. Yet they agree with the needs of objective changes and with the special features of our country's economy. It is therefore recommended that from now on transprovincial/municipal combines must be subjected to strengthened and unified plans and be incorporated into the regular planning channel. Agreements signed between the two parties should be submitted from the lower level to the higher level. An overall balance should be obtained following which the agreements should be incorporated into the respective provincial or municipal cooperation plans. They should be submitted to the relevant departments or committees for examination or approval and when approved should be made part of the unified plan of the state. Plans of this kind are not the direct plans of the central government and are not free exchanges of a blind nature. They constitute supplements to the direct plan of the central authorities. The good points of these plans are that they can adroitly guide action

According to circumstances, can benefit from advantages and avoid disadvantages, can help in macroscopic control and at the same time supplement the insufficiency of the state plan and link up well with, and meet, social needs.

Concerning the mode of control of the cooperation plans between coastal cities and towns and their fraternal areas, it is suggested that from now on those cooperation plans involving important and large amounts of material resources be incorporated into the unified plans of the localities and be placed under the control of the cooperation departments of the localities and that large and medium-sized economic combination projects likewise be placed under the unified control of the people's governments of the localities. For example, the Shanghai Anhui United Textile Development Corporation is a trans regional economic combination body whose former self was a state-operated enterprise. Its former leadership did the liaison and connecting work and evolution of the new corporation was from the bottom up. It received the approval and cooperation of the Ministry of Textiles and thus the direct plan of the central authorities was linked together with a cooperation plan of the localities.

In this way, large cities and towns in the coastal areas will become the operation centers of advanced regional economic combines which are centrally planned and have a cooperative division of work. Under the guidance of the state plan, they will become an important constituent part of an organic body of the economy of the whole country and can thus better perform their role in realizing the formidable objective of the economic development of our country.

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## NATIONAL POLICY AND ISSUES

### 'JINGJI YANJIU' SURVEY OF TIANJIN CONSUMER MARKET

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[Article by Tao Fei [7118 3836], Yang Chongguang [2799 6850 0342] and Feng Lei [7458 7191] of the investigation team sent to Tianjin by the Institute of Research on Finance, Trade, Materials and Economy of the Chinese Academy of Social Sciences: "An Investigation of the Consumer Market in Tianjin"]

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, the Tianjin consumer market has developed relatively greatly; the supply of and demand for commodities have tended to balance, sources of supply have been ample and buying and selling have been active, and the market has been prosperous, making this period the best one since the founding of the PRC. In 1982 the output and sales on the market of the textile and light industries further increased after 3 consecutive years' growth; from January to September, the output went up by 5.8 percent over the same period in 1981 while the retail sales of social commodities rose by 2.8 percent.

#### I. New Situations and Problems

Under the new circumstances, a new situation and new problems have emerged.

First, although the total output value of the textile and light industries has gone up, the growth rate has slowed down and the composition of products has not been adjusted to changes in market trends as evidenced by the increase in the percentage of unsalable commodities and by a marred increase in the commodity inventory of the production department.

From January to October, 1982, the output value of the textile and light industries amounted to 10.083 billion yuan, showing a 4.9 percent increase over the same period of the previous year, but the growth rate continuously slowed down. For instance, the growth rate of light industry was 10.1 percent, 4.9 percent and 2.6 percent for the first, second and third quarter of 1982 respectively, and became minus 3.2 percent in October.

According to a survey conducted by Tianjin first and second bureaus of light industry and Tianjin Bureau of Textile Industry on 656 kinds of commodities run at corporation level or above, 41 percent of them sold very well, 38 percent of them sold fairly well and 21 percent of them were unsalable. (See Table 1)

**Table 1: Composition of Some Products Under Tianjin First and Second Bureaus of Light Industry and Tianjin Bureau of Textile Industry**

	Total	Very Salable		Fairly Salable		Unsalable	
	(Items)	Items	Percentage	Items	Percentage	Items	Percentage
Total	656	269	41.0	252	38.0	135	21.0
First Bureau	83	21	2.3	38	45.8	24	28.9
Second Bureau	298	91	30.5	149	50.0	58	19.5
Textile Bureau	275	157	57.0	65	23.6	53	19.4

The major reasons which gave rise to the above situation were:

1. The production of some products was thoughtlessly developed and grew too fast. As a result, their output exceeded sales. Taking knitwear as an example, in 1974 there was only one knitwear factory in Tianjin, producing 65,000 pieces per year. But in 1981, there were as many as 72 factories with an annual output of 3.63 million pieces in the aggregate, representing a nearly 55-fold increase. On the other hand, at the national order-placing meeting held in the second half of 1982, Tianjin sold only 180,000 pieces, taking only 11 percent of the total supply sources.
2. Products were not suitable for sale and not adjusted to changes in market trends; they were out of fashion and monotonous in color and design. Taking plastic sandals as an example, Tianjin produced 2.25 million pairs per year but did not sell a single pair at the 1982 national order placing meeting. For another instance, Tianjin Ballpen Factory had a dead stock of 3.11 million ballpens, of which 50 percent were over 8 years old and unsalable.
3. Confusion in regulating commodity prices. The same type of local products sold at many different prices while non-local products sold at dumping prices. Non local commodities' prices were cut down to compete on the Tianjin market. For instance, the prices of watches, bicycles and chemical fibre materials were 10 to 30 percent lower than the same types of commodities made in Tianjin and much lower than that even when they came from regions where there was no grade 1 purchasing station. This adversely affected the production and marketing of Tianjin-made products. Some non-local made export products sold at dumping prices in Tianjin. As reported by Tianjin Bureau of Textile Industry, non-local made combed polyester and cotton fabrics sold at 1.5 yuan per meter on the Tianjin market, a price lower than the factory cost of grey cotton, and thus took the Tianjin market.
4. Insufficient distribution channels, which, in particular failed to serve all the remote areas and the entire vast rural market, a conspicuous contradiction between industry and commerce and a part of commercial enterprises not working with much enthusiasm. For instance, the plan provided for 1.15 million fluorescent lamps to be purchased by commercial enterprises in the first half

of this year while in fact only 480,000 were purchased. Thus the industrial enterprises were forced to market their products in 10 remote border areas so as to sell out the remaining 700 thousand pieces in stock.

Second, although the money income of urban and rural dwellers increased, bank savings increased faster. This means, instead of taking their cash and rushing to shops, people kept their savings and waited for the right thing to buy. So it was expected that the pressure and impact on the consumer market would not be very great in the near future.

During the 13 years from 1965 to 1978, the family income of Tianjin wage-earners increased by only 9.12 yuan a year per capita, an increase of 3.1 percent; for the 3 years between 1979 and 1981, the annual increase was 46.56 yuan, or a 11.5 percent increase; for the first half of 1982, this income went up by 18.84 yuan over the same period of the year before, or a 7.76 percent increase. The income of rural commune members living in the suburban districts of Tianjin showed a greater increase. The increase in the first 9 months of 1982 was 18.5 percent over the same period of the previous year. For instance, in Jianghai district (a middle-income suburban district of Tianjin), the income of commune and brigade enterprises and that from household sideline production alone went up by 133 yuan per capita for the first 9 months of 1982. Chujiacun Brigade of Wangkou commune in this district (a upper-middle-income brigade of this district) increased per capita income by 223 yuan in 1981, and by as much as 300 yuan if the income from commune members' household sideline production was included. In addition, the brigade accumulated a public fund of 260,000 yuan.

Higher income levels among the people has led to a substantial increase in savings in recent years. Between 1979 and 1981, the total additional savings of the city was 1.24 times the total amount of savings for the 30 years after the founding of the PRC. At the end of September 1982, the total savings of the city amounted to 1.193 billion yuan, an increase of 0.223 billion yuan over the beginning of the year, or a 18.7 percent increase. Of this total amount of savings of Tianjin, 0.97 billion yuan or 81.3 percent came from the savings of city and town dwellers while 0.223 billion yuan or 18.7 percent came from the savings of rural commune members. At the end of September, the savings of Jinghai District with banks in urban and rural areas amounted to 34.87 million yuan, showing an increase of 18 million yuan or 18.7 percent over the same period of the year before. The savings of its rural commune members amounted to 27.17 million yuan, showing an increase of 17.55 million yuan or 64.6 percent. In this district, 89 percent of the peasant households had savings and bank deposits averaged 68.96 yuan per commune member; the rural commune members of this district had a total of 13.95 million yuan cash in hand, averaging 32.74 yuan per capita. The rural collective deposits amounted to 13.52 million yuan. The savings of city and town dwellers amounted to 7.70 million yuan, showing an increase of 440,000 yuan of 5.7 percent over the same period of the previous year. Every household of the city and towns had bank deposits at an average of 240 yuan per capita.

Although there was a sharp increase in bank deposits, analyses showed that they would not represent too great a pressure and impact on the consumer market in a short time. The reasons were: 1. Increased percentage of fixed deposits in total deposits. For the first 9 months of 1982, fixed deposits represented 80

percent of the total deposits, marking a 10 percent increase over the same period of 1981; 2. According to a sample survey, there were four categories of urban households which had bank deposits. The first category did not have high income but made savings by cutting on daily expenses in order to purchase consumer durables or expensive commodities. This category took 17.3 percent of the total bank deposits, amounting to 16.8 million yuan and showing a 22.7 percent increase as compared with the beginning of the year. The second category put away money to accumulate a lump sum for a special occasion or item of expenditure (such as marriage and so on). This category took about 7.4 percent of the total bank deposits, amounting to 71 million yuan and showing a 26.5 percent increase as compared with the beginning of the year. The third category earmarked money regularly for future use, such as a fund for raising the only son or daughter, old age pensions or retirement pensions, long-term savings for bringing up children or for supporting oneself in retirement. This category took about 46 percent of the total bank deposits, amounting to 450 million yuan and showing a 120 percent increase as compared with the beginning of the year. The fourth category had to do with money received as a result of the implementation of the policies, such as backpay, money compensation for confiscated materials and allowances for demolition of private houses or resettlement. This category of bank deposits were large and long term ones and were basically not used; it took about 29 percent of the total bank deposits, amounting to 280 million yuan and showing a 22.2 percent increase with respect to the beginning of the year. The above-mentioned third and fourth categories of bank deposits took about 75 percent of the total bank deposits of city and town dwellers and they were basically of a nature similar to that of a sinking fund and would not be frequently withdrawn in a short period of time.

Moreover, according to an analysis of historical data, whenever the market was in a good situation with ample supplies of commodities, bank deposits would steadily go up and the amount of money withdrawn from banks would decrease relatively; conversely, whenever the market was in a tight situation, bank deposits would drop and the amount of money withdrawn from banks would increase relatively.

Third, as the overall supply and demand on the market tended to balance, the pattern of consumption underwent changes. As a result, the growth rate of social commodity retail sales dropped and a part of commodities were unsalable.

From January to September, 1982, the retail sales of social commodities in Tianjin amounted to 3.005 billion yuan, showing a 2.8 percent increase over the same period of 1981, a relatively small increase in the recent 3 years while the amount of currency withdrawn from circulation decreased by 32 million yuan over the same period of the year before, a drop of 25 percent, resulting in a rate of 1:10.12 between the amount of currency circulating on the market and the amount of social commodity retail sales, slightly over 1981's level which was 1:9.66. The consumption pattern of consumer goods in Tianjin during the said period is as follows:



Table 2: Consumption Pattern of Consumer Goods in Tianjin

Category	Jan-Sept 1982 (Percent)	Jan-Sept 1981 (Percent)	Percentage Change Jan-Sept 1982 over 1981
Consumer goods'			
retail sales of	100.0	100.0	Plus 2.8
which: Foods	43.8	42.7	Plus 4.4
Clothes	18.4	21.7	Minus 11.3
Articles for daily use	35.3	33.6	Plus 6.9
Fuels	2.5	2.0	Plus 5.8

The above table shows that if we analyze the consumption pattern of consumer goods, the consumption of foods, articles for daily use, clothes and fuels in 1982 followed the same order as in 1981. But if we analyze where the newly-added purchasing power went, the order was: articles for daily use, fuels, foods and clothes, of which the consumption dropped by 11.3 percent over 1981.

On the Tianjin rural market, the retail sales of social commodities went up by 5.5 percent, a higher percentage increase than the 2.3 percent registered on the urban market. In recent years, due to an increase in the money that peasants spent on building houses and purchasing means of production, some changes in the consumption pattern took place on the rural market. Let us take Jinghai District as an example (see Table 3).

Table 3: Pattern of Social Commodity Retail Sales in Jinghai District

Social Commodity Retail Sales		
Jan-Sept 1981		
	Amount in 1,000 yuan	Percentage
Means of Consumption	68,520	93.7
of which: Housing	25,150	34.5
Food	19,270	26.3
Daily use articles	13,240	18.1
Clothing	10,860	14.8
Means of Production	464	6.3
Total	73,160	100.0

# Social Commodity Retail Sales

Jan-Sept 1982

	Amount in 1,000 yuan	Percentage
Means of consumption	75,730	93.5
of which: Housing	32,190	39.7
Food	19,310	23.8
Daily use Articles	13,490	16.7
Clothing	10,740	13.3
Means of Production	529	6.5
Total	81,010	100.0

	Percentage Change with Respect to	Jan-Sept 1982 Jan-Sept 1981
Means of Consumption	Plus	10.5
of which: Housing	Plus	28.0
Food	Plus	0.2
Daily use Articles	Plus	1.9
Clothing	Minus	1.1
Means of Production	Plus	14.0
Total	Plus	10.7

Although the rural consumption pattern indicated that expenditure on consumer goods followed the same order as before, that is, food, housing, food, articles for daily use, clothing and means of consumption, but if we look at where the newly added purchasing power went, we will see that the increase in expenditure on purchasing the means of production (plus 14 percent) was grater than the increase in expenditure on the means of consumption (plus 10.5 percent). Among the items of expenditure on the means of consumption, the one on house construction had a remarkable increase (plus 28 percent), well ahead of the other means of consumption.

Since the production structure was not fully adjusted to the changes in the consumption pattern of town and rural dwellers, for a part of commodities, the volume of stock exceeded the volume of sales, and there were even gluts and unsalable stocks. (See Table 4)

Table 4: Commercial Inventory Structure at the End of September, 1982

Of the System Under Tianjin First Bureau of Commerce		
Category	Inventory Value at the End of Sept, 1982 in 1,000 yuan	Percentage
Total Inventory Value	1,079,190	100.00
Normal Commodities	559,620	51.86
Commodities of which the inventory exceeds the sales volume	472,650	43.80
Commodities in Excess of demand (to be handled)	46,920	4.34

Among the commodities in the above table, those of which the inventory exceeded the sales volume were mainly consisted of chemical fibre products, electrical appliances and electronic products, such as 45.45 million meters of materials in chemical fibres and in chemical fibres/cotton made in China, 12.86 million meters of imported materials in chemical fibres, 758,000 pieces of clothes made of chemical fibre materials, 10.66 million meters of cotton materials (khaki and gabardine), 330,000 transistor radio, 43,520 television sets imported from eastern European countries as well as imported paints; these 8 categories amounted to a total of 0.38 billion yuan, representing 81.14 percent of the total value of the commodities of which the inventory exceeded the sales value, and taking 35.54 percent of the total commercial inventory value. The gluts of chemical fibre products were due to: (1) The production developing faster than the sales; (2) More supply sources of imported fabrics in polyester and other chemical fibres leading to an increase in imports; (3) A wait-and-see attitude on the part of consumers in expectation of price reductions; (4) Prices being too high and the rural market not fully opened up.

Some consumer durables did not sell well, partly because of the long life of this category of commodities, for when a society has an increasing number of these commodities and when a large number of consumers can afford them, the market is nearly saturated; unless new versions of these commodities with high quality, low price and new design are put into the market, consumers will not be stimulated to buy them. In recent years, the textile and light industries developed very fast in our country, especially in the interior and in medium and small cities, as a result, less Tianjin-made products flowed out; the purchasing power flowing into Tianjin also decreased remarkably; the inflow of the amount of currency in 1982 was expected to decrease by about 38 percent with respect to 1981. These were also factors bringing about changes on the Tianjin consumer market.

Fourth, the circulating, operational and administrative systems of commodities were not adapted to the new situation in which consumer products became increasingly abundant, consumers needs became greater from day to day and not

enough preparatory ideological work was carried out for the reform of the systems, which lacked responsiveness to changes. The major manifestations were: (1) The state-owned trade was still not good at developing its own business in an environment with "many kinds of economic elements, many circulation channels, many forms of operation and a reduced number of circulation links," not familiar with doing business under socialist competition and helpless when supply exceeded demand, for it was used to the situation in which, owing to insufficient supply of commodities, customers came to see them, queued up to buy goods and commodities were distributed to each system or sold on presentation of ration tickets. (2) The departments of industry, commerce and foreign trade did not take concerted action to properly market products and supply the market. When a product was in short supply, they vied with one another for it; when a product was in ample supply, all declined to take it. Instead of adopting an overall marketing strategy, people segmented products according to whether they were sold on the local market or elsewhere, whether they were sold by their producers direct or otherwise. The relationship between industry and trade was still somewhat marked by "severance" and "expulsion," vestiges of the relationship during the period of transforming private owned enterprises, instead of by "promotion" and "persuasion"; the industrial and commercial sectors failed to establish between them a new socialist type of cooperative relationship for concerted action and joint responsibility for the market. (3) Not all necessary circulation channels were opened up and in particular, the rural commercial network was not brought into full play. Because of insufficient efforts to investigate and forecast consumers' behaviour and its evolution, ignorance of certain aspects of reality and, in many cases, passivity characterized marketing. (4) The raising of interest rates for bank loans and the implementation of the responsibility system in the commercial department made many a commercial enterprise reluctant to replenish their stock for fear of having gluts. In consequence, the commercial enterprises reduced their inventory while the industrial enterprises' inventory went up, adversely affecting their reproduction.

## II. Adjusting Production and Increasing Sales as Required by the New Situation

Generally speaking, the Tianjin consumer market was normal and brisk. As to the existing problems, as long as we step up investigations and properly do our work, we may avoid snags and take advantage of the favorable trend to further boost the prosperity and development of the market. In this regard, a lot of work was done in Tianjin.

First, helping perceive the present market correctly. In the opinion of the industrial and commercial departments of Tianjin, the new problems currently cropping up in the market were due to the fact that the market was not completely adapted to the production development realized in the course of readjusting the economy. Therefore, instead of drawing a hasty conclusion and recklessly passing "death sentence" on a commodity, it is necessary to judge in an unbiased and correct way whether the commodity "is selling well," is "in excess of demand" or is unsalable. The glut of many a commodity has often resulted from the practice of "selling one commodity to a single customer." So, while in one place there was a glut of a certain commodity the same commodity was out of stock in another place, and while a commodity was found to be unsalable in shops, it might sell well in the country-side. Thus, judging from the overall supply and demand, there were actually no gluts. The point is to introduce commodities



to consumers. For instance, since the stock of radios exceeded its sales volume, the wholesale stations refused to accept Tianjin-made "Eagle Brand" transistor radio sets, but six grassroots communes in Baozhi District did a joint sales promotion and sold dozens of sets on the first day and they then took a new supply of 8,000 sets, which were sold out within a few days. This type of nonportable radio was quite popular among the peasants, for its price was cheap (16 yuan per set) and its volume was big enough for decoration purposes. Even the market of chemical fibre products was not saturated. Especially the vast rural market was still a great potential market. For instance, in September, the first department store of Xianshuigu Supply and Marketing Cooperative in Nanjiao District sold as many as 8,000 odd meters of two types of woolen piece goods in 15 days, amounting to over 45,000 yuan.

Second, adjusting production structure to the needs of consumers by increasing the variety and upgrading the quality of products. Among the commodities which were unsalable, a part of them such as soap and cosmetics, were really the result of over-production. The production of these commodities was more likely to develop blindly because they required a small investment of capital, but yielded big profits and quick returns. In view of this, the production structure was promptly adjusted in accordance with the changes taking place on the market and appropriate and timely conversions were carried out; some commodities were unsalable not because the overall supply exceeded demand, but because they were not of the right design and color, or of low quality and high price. In this case, the only way to promote sales was to increase the variety and upgrade the quality of products. For instance, aluminumware was considered as having a constant demand at present, but the demand for the aluminumware made by Tianjin Aluminumware Factory exceeded the supply, because orders flooded in from abroad and other parts of the country to benefit from the good quality and continuous introduction of new variety. For another example, "Tianjin Watch Factory easily sold out the 4,000 odd gold-plated ladies' watches manufactured on a trial basis although at the time national brand watches were unsalable. From January to September, 923 new products were produced in Tianjin on a trial basis, of which 585 products were put into production and were well received by consumers. A new guiding ideology advocating new products, new designs, new colors, high quality, cheap prices and good service (including providing repairs and after sales services) was used to orientate the production and management of the textile and other light industries, and great efforts were made to change the situation of producing the same article invariably for many years.

Third, stepping up market survey so as to consciously influence consumption, open up new markets and expand sales. The suburban districts of Tianjin made earnest efforts to implement the state council's "decision on providing more industrial products to the rural areas by dredging commodity circulation channels between urban and rural areas" and the districts and grassroots cooperatives promoted sales in various ways, such as dealing in a larger variety of commodities (on average, the grassroots communes dealt in 100 to 300 additional commodities), peddling in villages and hamlets, calling at factories and schools, setting up stores at fairs, making door-to-door sales, selling by appointment, on credit and on commission. In August and September alone, Tianjin sold 10.63 million yuan worth of goods in the rural areas, representing 8.44 percent of the retail sales in August and September, while the turnover of retail shops did not fall at all. Taking Zhongwang grassroots cooperative in Jinghai County as an example,

while delivering goods to rural areas, they made investigation and in the light of the findings, they took the initiative in installing electricity meters in the two villages of Zhegiahe and Hanzhuangzi, turning them into "electricity meter villages," and they made preparations for building a "running water street" for Zhongwang Brigade. These projects enabled them to sell some 390 electricity meters worth about 10,000 yuan and about 5,000 yuan worth of materials for heating and supplying water.

Fourth, making full use of all kinds of circulation channels and sales forces, such as collective trade, two types of rural retail commission agencies under a production team or under the individual contract system, and individual traders and pedlars. The collective commercial network of Tianjin suburban districts covered 1,120 outlets with 13,646 employees and 1,600 retail commission agencies employing 2,600 persons. In order to arouse their enthusiasm, Tianjin supply and marketing cooperative allowed them to deal in all the industrial products they could. In order to facilitate retail sale, grade 3 wholesale stations did lift "three restrictions," that is, restrictions on minimum purchase quantity, number of invoices and dimensions of packing, delivered the bulk of good for retail sale to buyers, strictly prohibited the practice of selling commodities in fixed assortments and thus promoted the development of collective trade and rural retail commission agencies.

### III. A Few Suggestions

Regarding how to further develop the production of consumer goods and widen circulation in the light of the current condition of the consumer market, we suggest adopting the following measures:

First, developing the production and circulation of consumer goods according to plan.

In respect of the production and circulation of consumer goods, we should correctly apply the principle that our economy is basically a planned economy with market forces as auxiliary regulators and persist in planned production and circulation. Plans must be made in the light of the needs of consumers and on the basis of market research and scientific forecasting. At present, the market appears somewhat chaotic, because, for consumer goods, a clear-cut line of demarcation between the scope of planned production and circulation on the one hand, and the scope of production and circulation regulated through market forces on the other hand has not yet been drawn. In our opinion, the arrangements for producing consumer goods should be further unified and the scope and limits of mandatory planning, guidance planning and market regulations should be clearly determined. 1. Products under mandatory planning: In order to subject the production, circulation and pricing of this category of products to state planning, it is necessary to adopt the following measures: making out a list of such products and at the same time, handing down to industrial and commercial enterprises the output target and state purchase target for each product, assisting the department in charge of pricing in prescribing the margin of retailers and other links of commercial distribution for this category of products, requiring industrial and commercial enterprises to sign contracts between them according to plan, requiring industrial enterprises to produce according to plan and commercial enterprises to purchase according to plan. 2. Products under

guidance planning: The department in charge should publish variety and production development targets regularly, distributing circulars showing the production capacity on each trade and the situation of supply and demand on the market, set the upper and lower limits of price variations, and regulate production and circulation by manipulating economic levers and by using necessary administrative means. 3. Products to be regulated through market forces: they mainly fall under the responsibility of the industrial and commercial administrative department, there is an urgent need of laying down relevant laws and regulations such as laws governing taxation, competition and business administration while on the other hand, care should be taken to adopt appropriate policies and measures timely and in accordance with changes in market trends.

Second, opening up more commodity circulating channels and doing out utmost to expand the rural market so that the rural market will get quite a new look during the period of "the Sixth 5-Year Plan." 1. Instead of taking urban dwellers as the major indicators for guiding industrial production and marketing as was the situation during many years in the past, putting the production and circulation of consumer goods on the right tract of mainly serving the rural market. Boosting sales on the rural market by producing more products which suit the taste of rural consumers. 2. Reforming the commercial system in the light of the needs specific to our rural market due to its vastness. In addition to the present policy of allowing individuals and collectives to run retail commission agencies under contract, it is necessary to implement as soon as possible the contract system in small rural commercial enterprises; encouraging more people to become "hawkers" who go from street to street, house to house, with goods for sale, giving priority to approving their application for starting business; encouraging the existing employees of the commercial department who have volunteered to perform the functions of a "hawker" to operate under contract so that more agricultural and side-line products will be purchased and more industrial products will be taken to the countryside. 3. Reducing wholesale links and enlarging the difference between wholesale and retail prices. We may consider amalgamating grade 1 and grade 2 commercial stations so that this link's margin may be given to retail enterprises with a view to mobilizing their enthusiasm for work; on the other hand, the amalgamation may speed up commodity circulation and create favorable conditions for achieving greater economic results. 4. The practice that a production enterprise sells its own products direct is a new form of combining production and marketing, and should be vigorously promoted; especially for products which have a quickly changing demand, or may be made in small quantity or satisfy some special needs, more small enterprises or stores with their workshop in the rear of the house, such as the baking and clothing trade, should be set up for, being small, they may easily be converted to meet the needs of consumers in accordance with changes on the market.

Third, appropriately adjusting the price of a part of commodities and strengthening the control of market prices.

At present, in spite of the needs of the masses and the available production capacity, we are forced to stop or reduce the production of some products (such as wooden products) because their prices are too low; on the other hand, some other products (such as chemical fibre products and a small number of electronic products) are priced too high and this has stimulated people to develop their

production blindly. Therefore, we may consider suitably revising the price of some products to the advantage of production and marketing. Since at present the market is stable and the interest rate charged on bank loans is high, greater differences between the prices of high and low quality goods, between seasonal prices and between wholesale and retail prices are required to stimulate purchase on the part of the commercial department.

Since price control is at present a weak link in our work, we must, guided by the principle of a basically planned economy with market forces as auxiliary regulators, immediately establish a set of practicable price control systems so as to put an end to the confusion in the market prices of some consumer goods: 1. The department in charge of pricing should not only examine and approve proposed prices, but also strengthen the supervision and inspection of prices as well as assist the industrial and commercial administrative departments in setting up price inspection agencies. 2. Revising the price lists made out by the pricing departments at all levels. 3. Elaborating detailed methods to tighten price control on commodities which were originally for exports but are selling on the domestic market.

Fourth, banks are to undertake an overall review on the interest rates of deposits and loans bearing in mind the new situation.

Fifth, for commodities in excess of demand, we may consider adopting the following measures: 1. Strictly controlling output by fixing production assignments or limiting output and by adopting necessary economic steps to curb over-production and production outside the plan. 2. Suitably lowering prices and resorting to all means to promote sales. 3. As to products which are really in excess of demand and are unlikely to be sold in future, reports on their inventory should be submitted from below so that they may be quickly handled and disposed of; for products which cannot sell temporarily, but still have the possibility of being sold in the future, low interest bank loans should be granted to finance stocks so that normal production and circulation will not be disrupted.

Sixth, vigorously promoting selling consumer goods on credit.

Seventh, widely implementing the system of economic contracts, basing the production and circulation of consumer goods on economic contracts and promoting normalization of the relationship between industry and commerce; establishing and perfecting economic laws, strengthening economic courts with a view to ensuring that plans and contracts are respected.

November 1982

CSO: 4006/397



## ECONOMIC PLANNING

### HUBEI GOVERNMENT MEETING ON ECONOMIC WORK

HK250158 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 24 Mar 83

[Excerpts] The Hubei Provincial People's Government held a provincial economic work conference from 16 to 23 March. The meeting decided that the main tasks in the province's industry and communications and finance and trade this year are to strive to improve economic results, speed up the pace of reforms, further enliven commodity circulation, and fulfill and overfulfill the state plans.

The meeting pointed out: In fulfilling this year's industrial production tasks, all enterprises must center their efforts on improving economic results, strive to improve product quality, develop more varieties and increase output of products that sell well. In carrying out industrial production, the commercial, material supply, banking, and transport and communications departments must provide vigorous support and create conditions for developing industrial production.

Hubei has a certain degree of difficulties in energy. The production units must give priority to energy conservation. Energy-producing units must do a good job in energy production and conservation, to ensure the needs of industrial production. The industrial enterprises must further expand self-sales, gear output to sales, and do everything possible to enliven their operations.

The meeting pointed out: This is a year of reform, and there are many heavy tasks to be accomplished in this respect. In accordance with the central arrangements, we must speed up the pace of reform, and institute the economic responsibility system centered on contracted responsibilities in an all-round way. The method of substituting tax payment for delivery of profits is a good way of solving relations between the state and the enterprises. We must institute this method in an all-round way in state-owned enterprises.

Industries production units, state-owned commerce, and the supply and marketing cooperatives must adopt a variety of operating methods to market commodities. They must truly open up the urban and rural markets.

Responsible comrades of the provincial CPC committee and government Huang Zhizhen, Tian Ying and (Guo Zhenqian) attended the meeting and made speeches.

CSO: 4006/398

# AGGREGATE ECONOMIC DATA

## RETAIL SALES STATISTICS FOR JANUARY, FEBRUARY

HK281106 Beijing JINGJI RIBAO in Chinese 22 Mar 83 p 2

[Report by State Statistical Bureau: "Statistics of Retail Sales in Urban and Rural Markets in January and February 1983"]

[Text]	Calculating Unit	Jan-Feb 1983	Feb 1983	Percentage in Jan-Feb 1983 as compared with same period of 1982
Retail sales of social commodities	Billion Yuan	46.32	21.81	111.1
Retail sales of consumer goods among these social commodities	Billion	42.00	19.85	112.7
Sales volumes of staple commodities				
Pigs	Head	24.46	12.58	116.4
		Million	Million	
Eggs	Dan	1.449	0.808	122.7
		Million	Million	
Aquatic products	Ton	354,000	185,000	99.7
Salt	Ton	1.466	0.686	101.3
		Million	Million	
Sugar	Ton	863,000	401,000	120.4
Cigarettes	Box	3.578	1.681	114.7
		Million	Million	
Alcoholic beverages	Ton	763,000	398,000	113.7
Cotton cloth	Meter	1.15	400	88.5
		Billion	Million	
Cotton-poly-ester fabrics	Meter	500	240	116.3
		Million	Million	
Polyester fabrics	Meter	170	80	141.7
		Million	Million	

Table continued

Matches	Carton	4.278	1.985	119.8
		Million	Million	
Soap	Box	6.796	3.432	115.5
		Million	Million	
Washing powder	Ton	79,000	41,000	121.5
Thermal flasks	Bottle	25.97	11.83	114.8
		Million	Million	
Sewing machines	Set	1.394	0.6	99.7
		Million	Million	
Wristwatches	Piece	5.689	2.917	112.1
		Million	Million	
Bicycles		3.184	1.447	147.5
		Million	Million	
Semiconductor radios	Set	4.241	2.025	98.0
		Million	Million	
Televisions	Set	1.304	0.658	125.4

Note: The retail sales of social commodities do not include the retail sales of goods to nonagricultural residents by the peasants. The sales volumes of staple commodities indicate volumes of business done by enterprises under the all-people ownership.

CSO: 4006/398

## ECONOMIC MANAGEMENT

### INCREASING SOCIALIST ECONOMIC BENEFIT DISCUSSED

Beijing JINGJI RIBAO in Chinese 25 Jan 83 p 3

[Article by Song Tao [1345 3447]]

[Text] Among the many extremely important economic issues discussed in the reports and talks given by the leading comrades of the Party Central Committee and the State Council at the 12th Party Congress and the 5th meeting of the 5th National People's Congress, continuously increasing the economic benefit was one of them. Comrade Hu Yaobang considered it the prerequisite to the general struggle goal of China's economic construction by the end of the century. On the economic work of the 6th 5-Year Plan, he declared: "The entire economic work must be shifted to center on continuously increasing the economic benefit." We can thus see its extremely important significance in China's socialist economic construction.

Many comrades are studying economic benefit in the theoretical aspect. Among the articles which I have come across, the views are not sufficiently unanimous. I feel that the socialist economic benefit is the benefit demonstrated by comparing the results obtained in the total labor consumption (mechanized labor and live labor) on the basis of the rational utilization of natural resources with the degree of satisfaction of the needs afforded by such results.

The rational utilization of natural resources is the basis, because, when increasing the socialist economic benefit, the benefit to the entire national economy must be taken into consideration. In terms of a certain enterprise, industry or subbranch, the utilization of some natural resources often raises the economic benefit to a certain extent, but is unfavorable to the development of other industries and subbranches. For a time in the past, the phenomenon of wasting and destroying natural resources on a large scale seriously blocked the increase in the economic benefit. When explaining economic benefit, the concept of economic benefit itself must be distinguished from the demand of its enhancement. If economic benefit is to obtain the maximum result with the minimum labor,



it will be impossible to increase it. Distinguishing the concept of economic benefit from the demand of increasing it is for the purpose of adopting measures for its more successful enhancement.

Increasing the economic benefit is compatible with the requirement of the socialist economic laws. Continuously increasing it is the consequence of the requirement and effect of the socialist economic laws.

First, continuously increasing the economic benefit is compatible with the requirement of the basic socialist economic laws. The goal of socialist production is to satisfy the needs. Under the prerequisite of continuously increasing the economic benefit, the total annual industrial and agricultural output value will quadruple by the end of the century. By that time, the labor consumption included in the total annual output value, instead of proportionately increasing, will have reduced when computed according to unit product. In other words, the net output value among the total annual output value will have increased, and so will the net products embodying the total annual output value, thereby improving even more the material, cultural and living levels of the individual laborers and the collectives. Meanwhile, it will also promote greater accumulations and the development of the socialist economy, which will, in turn, satisfy the needs of the laborers to a greater extent.

Second, continuously increasing the economic benefit is compatible with the requirement of the planned and proportionate developmental law of the national economy. If the proportionate relations among the various branches of the national economy, among the subbranches within the various branches and among the various industries are uncoordinated, such as energy shortage or shortage of communication and transportation capacities, it will affect the development of other enterprises, industries and subbranches, and even the entire national economy. Only the planned and proportionate development of the various branches in the national economy will result in the full utilization of material and labor, thereby increasing the economic benefit of the entire national economy.

Third, continuously increasing the economic benefit is compatible with the requirement of the law of value. The law of value requires that individual enterprises lower their labor consumption in order to increase the economic benefit. The reduction of the labor consumption of individual enterprises will impel other enterprises to follow suit, thereby impelling the entire society to reduce the labor consumption. Therefore, continuously increasing the economic benefit and the requirement of the law of value are identical.

As increasing the economic benefit is the outcome of the requirement and effect of the socialist economic laws, only the proper utilization of the various socialist economic laws will continuously increase it. Our violations of the socialist economic laws for a fairly long period of time in the past resulted in enormous wastes and the failure to increase the economic benefit. The lesson must be firmly remembered.

To increase the economic benefit, we must concretely study the ways and means. The various branches, subbranches, industries and enterprises in the national economy should all formulate concrete plans. They must make concrete provisions on the application of scientific results, the adoption of new technology, the improvement of the scientific and cultural level and the proficiency of the managers and laborers, the introduction of the economic responsibility system and the determination of various quotas, and clarify the responsibilities of the various organs and managers in carrying out the plans. When the conditions are ripe, the economic responsibility system should be gradually initiated in the leading economic organs of the various levels. The enormous wastes caused by the lack of careful planning and clear designation of duties in the past must not go on.

It is hoped that JINGJI RIBAO will publish more short and simple economic articles on the issues of the socialist economic construction brought up at the two congresses, in order to help the broad readers truly understand the essence of the economic theories in the new period and encourage them to struggle for the magnificent goal of the economic construction.

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## ECONOMIC MANAGEMENT

### IMPROVED MARKETING OF LIGHT INDUSTRIAL, TEXTILE PRODUCTS SOUGHT

Guangzhou NANFANG RIBAO in Chinese 7 Feb 83 p 4

[Article by Wang Shizhao [3769 1102 6856]: "A Brief Discussion of the Production and Marketing of Guangdong's Light and Textile Industrial Products"]

[Text] Among the problems found in Guangdong's light and textile industries, the prominent ones are the overstocking to different degrees of textiles, ceramics, wines, washing powder, batteries, alarm clocks, bicycle parts, etc., causing difficulty in fund turnover and seriously affecting production. Some plants, due to insufficient tasks, have to suspend production off and on. Though the output value of some textile industries has increased, their earnings have dropped. The shortages of raw and processed materials are serious, especially coal, power, oil, soda ash and lumber. While the reasons for the difficulties are many-sided, the main ones are as follows: First, in the past the state followed the policy of exclusive marketing on light industrial and textile products, taking over everything regardless of quality, and the plants depended on the state's exclusive marketing. Today the situation has changed. Except the important items which are still exclusively handled by the state, the products are placed under the system of selective purchasing, and the unsuitable items are rejected. Second, in the past the plants took advantage of the shortages on the market to sell their products. Today the situation is different. With the easing of commodity supply, the customers look for quality. Third, in the past the light and textile industrial system was the sole producers. Now the situation has changed. With the emergence of large numbers of commune and brigade industries producing light industrial and textile articles, competition is keen and the output excessive. Fourth, the economic recession in the international market today affects the export of some products. Fifth, on ground of "deciding production by marketing," some units purchase less or no products, causing abnormality in production. All these are the reasons for the difficulties experienced by Guangdong's light and textile industries.

Nevertheless, it must be pointed out that Guangdong's light and textile industries have their foundation, and their products have always been known as "the sundries of Beijing and Guangdong." Furthermore, light industrial products are indispensable consumer goods, and popular articles of good quality and low price are always in demand in the market to satisfy people's needs. The problems found at present are merely difficulties encountered in the course of readjustment and reorganization and temporary in nature. Though they constitute a pressure on us, we only have to turn the pressure into an impetus and the difficulties will be overcome. As socialist production is for the purpose of satisfying the people's ever growing material and cultural needs, we must produce according to the demands of the market and the needs of the people. Therefore, Comrade Chen Yun said: "We can only comply with the customers' needs, and must not let the producing units make subjective decisions." What are the demands of the masses on light industrial products today?

First, quality must be improved. After the Third Plenary Session, with the improvement of living standard by a series of measures adopted by our party, the people have become more particular about the commodities. As the rural areas grow in prosperity, the peasants also demand daily consumer goods of high quality. When selecting purchases, they first look at the quality and the style and the brand name. They want Shanghai's Fenghuang or Yongjiu brand bicycles and Shanghai's Hudie or Guangzhou's Huanan sewing machines, because of their better quality. Therefore, we must improve quality, restore the name brands and continuously create new brands before we can adapt to the mass demand.

Second, the varieties must be popular and the colors diverse. The people's needs of light industrial articles are manifold and constantly changing. Therefore, the light industrial enterprises must have flexibility and adaptability, adopt the production policy of good at many things and expert in one and of many secondary products and one main specialty, and plan their production according to the seasons and the people's preferences, in order to gear themselves to the demands of the market and the needs of the masses.

Third, packaging must be improved. In other words, it must be pleasing, colorful and attractive, while also firm and secure to avoid damage in transport. Though there has been some improvement, it is still not ideal. The backward phenomenon of "first class material, second class product, third class packaging and fourth class price" must be promptly changed.

Fourth, cost must be lowered and pricing made appropriate. To attain this goal, we must increase production and practice thrift, unearth the potentials, innovate and remold within the enterprises, introduce new technology and acquire new equipment where possible and raise the technical level and labor productivity of the workers. We must strengthen management, establish and reinforce all kinds of responsibility systems, formulate rules of operation and avoid doing a job over again and waste.



In short, as long as the products are first rate, the varieties popular, the colors diverse, the price reasonable and the packaging attractive, i.e., products of high quality and low price and suitable to the needs of the market, they will attract the customers and win in competition.

To make the products high in quality and low in price and suitable to the needs of the market, we must properly perform three tasks: The first is to make market surveys and studies and promptly clarify the conditions of commodity circulation and the demands of the masses. The second is to rationally reform the systems. Today, supply, production and marketing are disjointed. Those in charge of materials are ignorant of the raw and processed materials needed by the production branch, and the producers are ignorant of what the purchasing branch wishes to buy, each going their own way and mutually indifferent to one another. In addition, the lack of uniform systems and the numerous links of circulation lengthen the time spent and increase the cost, therefore detrimental to competition. Thus, the systems must be reformed, changing the separate management by three branches to a unified management, viz., making supply, production and marketing a coordinated process. The third is to improve the supply of raw and processed materials. Where the tasks are assigned by the state and the products are under its exclusive marketing, materials must be supplied to the plants in the amounts specified in the plans and their quality guaranteed. Where the products are regulated by the plants themselves according to market demand, the method of combining state allocation with purchasing by the plants on their own may be followed. In other words, according to their needs, the plants should be helped to obtain certain important raw and processed materials and left to purchase the rest on their own. Once these tasks are properly performed, the production and marketing of light industrial and textile products will make a marked improvement.

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## FINANCE AND BANKING

### CONTROL OF EXPANSION OF CAPITAL CONSTRUCTION STRESSED

Beijing JINGJI RIBAO in Chinese 3 Mar 83 p 1

[Article by Wang Youlin [3769 0645 2651]: "Control of Extra-Budgetary Capital Construction Investments Arouses Serious Attention of All Branches"]

[Text] This reporter learned the following from the units concerned of the State Economic Commission: Last year, the scale of China's capital construction expanded, and the total amount of investments surpassed 1980, the record level in history, by 1 percent.

The main reason for the expansion was the large-scale increase in extra-budgetary investments. According to statistics, the completion rate of extra-budgetary investments was 153 percent of that of budgetary investments. Among the investments, the actual completion rate of self-raised funds was 136.2 percent of the readjusted annual plan, constituting 28.7 percent of the actual completion amount of the national capital construction investments. The self-raised funds of eight provinces and autonomous regions throughout the country exceeded the plans by 100 percent or more, with some as high as 300 percent. Bank loans exceeded the readjusted annual plan by 92.3 percent.

With the multiple additions of extra-budgetary funds, the contradictions between the supply and demand of goods and materials for capital construction became more pronounced. Though China's cement output last year showed a gain, it fell far short of the need of the expanded capital construction, and the supply quota had to be cut, from the 455 ton per 1 million yuan investment of 1981 to 372 ton. Thereupon, many quarters sought emergency help. Over 20 departments applied to the state for additional cement, and the shortage reached 2.4 million ton. The expanded scale of capital construction battered the key projects of the state, and the plans on railway electrification, papermaking and aquatic products refrigeration, a total of seven new production fields, were uncompleted due to the competition.

Currently, the problem has aroused serious attention, and measures of control are being taken.

The Jiangsu provincial people's government recently issued an "Emergency Announcement on Strictly Controlling the Scale of Investment in Fixed Assets." It provides: In the future, regardless of the channel of funds, all investments in fixed assets are included under the centralized management of the planning commissions of the various levels; renewal and remodeling projects are focused on conservation of energy and raw and processed materials, improvement of the function and quality products, rational utilization of resources and control of serious pollution. All projects using backward technology are suspended and disapproved. Ongoing projects which are incompatible with the requirements of these provisions are hereby suspended and windup organized immediately, to be completed on or before the end of March.

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## FINANCE AND BANKING

### WHOLESALE INVESTIGATED FOR CONCEALING PROFIT

Beijing JINGJI RIBAO in Chinese 3 Feb 83 p 1

[Article: "Hunan's Commerce Department Investigates a Number of Units for Concealing Profit"]

[Text] The Hunan Provincial Commerce Department recently investigated a number of units for taking advantage of the commercial system reform to practice fraud and violate fiscal and economic disciplines and urged the specialty corporations concerned and municipal commerce bureaus to launch a complete investigation, uncover the problems and make prompt corrections.

Last December, the Hunan provincial people's government decided to set up wholesale organs with the cities as the centers. Hearing of it before the official document was issued, the Class 2 wholesale stations which were set up according to administrative divisions resorted to the incorrect means of fake cash sale agreements and phoney costs to inflate the losses and conceal the profits which should be turned over to the state. One station, for instance, made out at one time to a certain county corporation 147 commodity supply certificates, faking sales totaling 470,000 yuan, including over 80,000 yuan of fictitious losses. Another station listed on 31 December last year losses of assets amounting to over 170,000 yuan, which included over 110,000 yuan of unsold merchandise.

Upon discovery, the provincial commerce department gave serious attention to the problems, immediately organized the provincial sundry, textile wu jiao hua [0063 0074 0553], non-staple food, meat and aquatic products specialty corporations to investigate and handle, and sent urgent telegrams to the various prefectural and municipal commerce bureaus, asking them to investigate. The provincial department store corporation dispatched four investigation teams to proceed severally to the Class 2 wholesale stations involved. Currently, over 680,000 yuan in fictitious losses and concealed profits have been uncovered.

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## INDUSTRY

### BRIEFS

ZHEJIANG ECONOMIC COOPERATION--Zhejiang has established economic cooperation relations with 27 fraternal provinces, municipalities and autonomous regions. During the period from October 1982 to the end of February this year, the department concerned of Zhejiang Province signed agreements with the departments concerned in Shanxi, Henan, Shaanxi, Guizhou, Hebei, Shandong, Anhui, Jiangxi and Nei Monggol for the procurement of 2.55 million dun of coal. By 10 March, over 300,000 dun of coal had already arrived in Zhejiang. [Hangzhou ZHEJIANG RIBAO in Chinese 16 Mar 83 p 1 OW]

CSO: 4006/398

## DOMESTIC TRADE

### COMMODITY PRODUCTION, CIRCULATION PROMOTED

Harbin HEILONGJIANG RIBAO in Chinese 26 Jan 83 p 1

[Article by Zhang Hongli [1728 1347 0500]: "Promote Commodity Production; Enliven Commodity Circulation"]

[Text] Correctly understanding the basic tasks of commerce work in the new socialist period has an important significance in doing the work successfully and achieving the strategic goal. What are the basis tasks?

1. Vigorously Promoting Commodity Production: In the past, due to the "leftwing" influence on the guiding ideology of commerce work, and with the inadequate development of light industry on top thereof, we often one-sidedly supported the production branch in commerce work, reduced the output of consumer goods and failed to give adequate attention to market needs. In the future, with the development of China's productive forces and the readjustment of the production structure, we can no longer support production as in the past, but must focus our work on developing the production of commodities suitable for the market. In regard to inferior yet costly commodities, not only must we withhold support for their production, but we must help the production branch lower the cost and improve the quality, or replace them, even to the extent of conversion. The old practice of purchasing anything and everything produced and even coercing the commercial units to buy articles not needed by the market must be changed, for otherwise it will bring joy to industry and sorrow to commerce, overstock the warehouses and reduce the fiscal revenue. We must no longer follow such stupid ways. To promote the development of commodity production, the commerce branch must bring to full play the functions of commerce and actively supply the industries with market information. Meanwhile, in regard to some varieties suitable for joint operation by industry and commerce, we should help the industrial branch participate in the market.

2. Vigorously Developing Commodity Circulation: Under the situation of shortages in the past, the commercial branch stressed constantly the expansion of purchasing and marketing and devoted its main energy on

organizing sources of supply. Today, with the growing abundance of industrial and agricultural products, we must change the operation pattern of stressing purchasing and overlooking marketing, and shift our focus from purchasing to marketing. In other words, "marketing" should come first, with purchasing and production geared to it. Only when more is sold will there be the condition to purchase more and develop production. To expand marketing, the commerce system should be changed to labor division according to commodities, instead of between urban and rural areas, and economic zones with the cities as the centers should be established in order to break down regional blockages. We must reform the phenomenon of excessive overlapping of wholesale organs, adopt such forms as joint marketing, exhibition sales, and sale on commission, reduce to the minimum the links of circulation and introduce various policies of encouragement. Under the condition of giving first place to planning, not only restrictions on the marketing of Class 3 small commodities, for instance, should be lifted, but, upon completion of assignments, Class 1 and 2 goods and materials other than grain should be permitted to be transported for sale and bought and sold wholesale. Seasonal price differences on fresh and live commodities should be introduced, and advance sale of durable consumer goods and payment by installments initiated. In regard to the personnel sent to the rural areas and plants, the method of incentive sale should be followed. In short, we must, in system, policy and operational pattern, widely adopt measures favorable to marketing, in order to adjust to the demand of vigorously developing production.

3. Continuously Satisfying the People's Material, Cultural and Living Needs: In the 20 years hereafter, with the realization of the strategic goal, the people's living will gradually reach the level of being comfortable, and manifold needs will emerge. In commerce work, we must constantly conduct surveys on demands, guide production accordingly and properly organize commodity supply. In addition, with the socialization of household labor, commerce must not only satisfy the people's needs, but also give consideration to the service attitude, the location of networks and points, business hours, varieties handled, service items and service patterns, in order to make it convenient for the masses.

4. Improving Economic Benefit; Accumulating More Funds for the State: Commerce occupies an important position in accumulating funds for the state. It must vigorously improve operation and management, abolish, by means of reorganization, all kinds of irrational subsidies and apportionments, stop the erosion of profits, and enable the economic benefit to return to and surpass the best level in history. In short, the tasks of commerce in the new period are glorious yet arduous. Our broad cadres and staff and workers on the commerce front must double their effort and struggle for the completion of the work shouldered by them.

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## DOMESTIC TRADE

### PRICE DIFFERENCES BETWEEN FARM, FACTORY PRODUCTS DISCUSSED

Beijing CAIMAO JINGJI [FINANCE, TRADE AND ECONOMICS] in Chinese  
No 1, 11 Jan 83 pp 20-24

[Article by Xie Cheng [6200 3397]: "On the Issue of a Price Scissors Between Industrial and Agricultural Products"]

[Text] A price scissors between industrial and agricultural products is a mutual variance between the price and the value of industrial and agricultural products that are exchanged. It is exchange of unequal values, the price of agricultural products being lower than their value, and the price of industrial goods being higher than their value. At the present stage of China's national economic life, the price scissors is an important theoretical issue, and it is also an important real issue. Whether the price scissors can be properly solved has a direct bearing not only on the scale and speed of agricultural development, but also relates to the coordinated development of the entire national economy and to progress in building the socialist four modernizations.

#### 1. Price Scissors Situation Following Liberation

Up until Liberation, China was a semi-colonial and semi-feudal country in which imperialism and the bureaucratic compradore bourgeoisie colluded among themselves and used their favorable economic position to monopolize markets. They used the tactic of buying farm products at low prices and selling industrial goods at high prices; by changing goods at unequal value, they greatly exploited and plundered the broad masses of scattered peasants. As a result, not only did a price scissors exist, but the gap steadily widened. Comparison of 1950 with the period 1910 - 1936 shows a 31.8 percent widening of the price scissors. Following Liberation, the party and government took various actions to readjust several times the prices of industrial and agricultural products, for a gradual narrowing of the price scissors. As a result of these readjustments, in 1957 the price parity in exchanges of industrial and agricultural products throughout the country was substantially close to the average level of the



period 1930 - 1936, just before the war against Japan. In 1978, the gap was further narrowed to 31 percent as compared with 1957. Following the tremendous 1979 increase in state procurement prices paid for agricultural sideline products, in particular, the price scissors was further narrowed. Nevertheless, price is the form in which value is expressed. Study of price differences between industrial and agricultural products must be done in terms of the pattern of value of industrial and agricultural goods. Only in this way is it possible to understand the essence of the price scissors. On the basis of the Marxist principle that an equal amount of labor creates an equal amount of value, we have attempted to proceed from the basis that total amount of work equals total value, using increase in the industrial and agricultural labor productivity rate to conduct comparisons as follows: Comparison of 1979 with 1952 shows a 2.13 fold increase in the industrial labor productivity rate, and a 1.23 fold increase in the agricultural labor productivity rate. The agricultural labor productivity rate index was 57.7 percent that of the industrial labor productivity rate index, and increase in the agricultural labor productivity rate was 42.3 percent slower than increase in the industrial labor productivity rate. This means that in terms of value, the exchange value between industry and agriculture actually increased by 42.3 percent. Take 1978 as an example. Accumulations the state derived as a result of prices paid when purchasing agricultural products, as calculated on the basis of purchase of agricultural products totaling 46 billion yuan, amounted to between 11.27 and 14.06 million yuan in the case of grain whose price was between 19.08 and 23.41 percent less than its value. Peasant purchases of the means of production and consumer goods totaled 91.1 billion yuan, and since the price of industrial goods was 20 percent higher than their value, this meant an 18.22 billion yuan accumulation for the state. As a result of the price scissors between industrial and agricultural products, in the two transactions the peasants provided the state roughly between 29.49 and 32.28 billion yuan in accumulations. Comrade Xue Muqiao noted in his "Study of Problems in China's Socialist Economy" that "peasants provide through the payment of taxes only less than 10 percent of state revenues; taxes and profits provided by industry account for more than 90 percent. Seemingly workers provide the state with a very great amount of accumulation while the peasants provide very little. This is not, in fact, the case. This is because a considerable portion of the accumulations that the peasants provide are realized in the form of transfers to industry in exchanges at unequal value, and are figured in the accumulations that industrial workers provide. In reality, the accumulations that peasants provide account for at least one-third of public revenues." On this basis, one-third of the country's public revenues of 121.1 billion yuan in 1978 amounted to 37.3 billion yuan. When the more than 4 billion yuan

peasants paid in taxes is deducted from this amount, that means the peasants provided accumulations to the state of roughly 33 billion yuan as a result of the price scissors. This figure coincides with results of the foregoing calculations. As a result of the great increase in consumption in recent years of goods produced by agriculture, the steady increase in amount of labor used, and the steady rise in agricultural production costs, it has been impossible for the price of agricultural products to make up for the inanimate labor and the living labor expended in the production of agricultural products. Therefore, though state procurement prices for agricultural products have been raised several times, as compared with the speed of increase in costs, prices remain overly low. A representative sampling of production costs for agricultural products throughout the country shows consistent losses between 1965 and 1978 in the growing of six grain crops and rapeseed. In 1978, the cost of producing grain inclusive of taxes was 11.05 yuan per 100 jin, while the average price the state paid for it was 10.64 yuan, a 0.41 yuan loss to the producers. Following the price rise of 1979, if a labor cost that does not reflect reality of 0.80 yuan per worker is used, profit amounted to only 2.54 yuan for the same 100 jin. If labor cost is figured at 1.68 yuan, the cost of production would be 15.12 yuan per 100 jin, for a continued loss to producers of 2.26 yuan. Clearly a price scissors not only exists today, but it is a large one and its absolute value great.

## 2. During a Certain Period of Time, Existence of a Price Scissors Is Necessary

The continued existence of a price scissors following Liberation was partly an historical hangover and partly the result of China having been a country up until the time of Liberation that had a poor industrial base and an extraordinarily antiquated industry and agriculture with very low levels of productivity. Following Liberation, in order to hasten industrial development and the building of socialism as a whole, it was necessary to solve the problem of a large amount of capital. But sole reliance on the accumulations provided by industry for a source of funds was obviously inadequate. Agriculture also had to provide the country some funds. Just as Comrade Mao Zedong said in his article titled, "On Problems in the Cooperativization of Agriculture, "In order to get the large amount of funds the country needs for industrialization and reform of agricultural techniques, a substantial portion will come largely from agricultural accumulations. In addition to coming from direct taxes on agriculture, it will come from development of production by light industry of the large amounts of the means of livelihood that the peasants require. Through exchange of these things with the peasants for their commodity grain and light industrial raw materials, both

the peasants' and the country's material needs will be satisfied, and funds will be accumulated for the country." Thus, the existence of a price scissors at a certain period is necessary. This is a measure and a form by which agriculture supports industry in a socialist society. It is a source of capital for the rapid development of industry, and it is also a source of needed capital for the development of agriculture itself. Not to understand this point clearly may lead to mistakes in handling and solving price scissors problems.

### 3. Prospects For Solution to the Price Scissors

The existence of a price scissors in China, its large size, and its great absolute value is a fact. How to handle it correctly requires a common understanding. Some people say: Formerly agriculture supported industry, but now that industry has a definite foundation, it should turn around and support agriculture. Others suggest that the main reason for the not very rapid development of agriculture is the overly low prices the state pays for purchases of agricultural products. Though purchase prices for agricultural products were increased tremendously in 1979, it was still not enough and the same thing should be done several times again.

In economic work, one cannot do everything one might like or manipulate things arbitrarily. To achieve prices for industrial and agricultural products in keeping with their value through artificial means, or to achieve exchange at equal value is actually extremely complex. An overall look at means countries of the world have used to narrow price scissors shows just two ways: One is to change the value amount of industrial and agricultural products, which means an acceleration of the labor productivity rate of agriculture so that agriculture's labor productivity rate increases faster than that of industry. The other way is to regulate the price of industrial and agriculture products so that the gap between cost and price of industrial and agricultural products is narrowed. The former method is an internal solution to the price scissors and is a basic way in which to attain this goal; the latter method is an external solution.

(1) The problem of increase in agriculture's labor productivity rate. While continuing to increase industry's labor productivity rate, is it possible as well to increase agriculture's labor productivity rate faster than that of industry? Ever since the 1950's, an increase in agriculture's labor productivity rate that is faster than the increase in industry's labor productivity rate has been attained in some economically developed countries. In the United States, for example, between 1950 and 1976 the total amount of farm labor used fell from 15.1 billion man hours

for the country as a whole to 5.3 billion man hours, i.e., one-third the original figure. However, product output increased 1.5 fold. Figured in terms of amount of output per man hour, during this period the labor productivity rate increased more than threefold in an annual incremental increasing averaging 5.6 percent. Meanwhile, in the manufacturing industries where the labor productivity rate increased fairly rapidly, during the same period, the increase averaged no more than 2.5 percent. This meant that agriculture's labor productivity rate increased 1.25 times faster than did the manufacturing industry's. A similar situation occurred in other economically developed countries. During the 1950 - 1960 period, Canada's agricultural labor productivity rate increased two times as fast as its industrial labor productivity rate. In the United Kingdom, it was one time as fast, and in France about 40 percent as fast. Just how were these countries able to make the agricultural labor productivity rate faster than that of industry? Mostly because of (1) a high level of agricultural technical equipment; (2) great reduction in the working agricultural population; and (3) development of agricultural service industries. Naturally, there were reasons other than these; however, they were not the main ones. Take the United States as an example. In 1977, each farm worker averaged more than \$47,500 worth of fixed assets (not including land and buildings), versus an average of somewhat more than \$30,100 worth of fixed assets per worker in the manufacturing industries, or 1.58 times more. As a result of rapid strides in modern science and technology, rise in agriculture's labor productivity rate depends increasingly on improvement and enhancement of the technical equipment used in agriculture. The higher the level of technical equipment used in agriculture, the greater the efficiency of agricultural production, thus making it possible to effect greater savings in manpower, lower the social work time required per unit of product, and produce more farm products. At the same time, the quantity of America's agricultural labor declined greatly. In 1832, the population of the United States was slightly more than 13 million, 10.5 million of whom were engaged in agriculture. Today, the population of the United States has increased to 225 million, of whom only about 4 million are farm workers. This is less than 2 percent of total population. America's agricultural production has become increasingly socialized, and the number of various pre-production and post-production specialized agricultural service industries increasingly large.. In both farming and livestock raising, farm workers have to do only an extremely small about of the work done in the production process. The remainder is taken care of by specialized service companies of various kinds. Consequently, agriculture's labor productivity rate has increased very rapidly. This shows that in order to achieve a labor productivity rate in agriculture that is faster than industry's requires a process, and commensurate con-



ditions must be prepared in order to achieve it.

(2) The problem of regulating prices of industrial and agricultural products. Regulation of industrial and farm prices to narrow the price scissors through external means was also a measure used very generally in the countries of the world following the war. The goal of readjustment of prices of industrial and agricultural products is to make the price of industrial and agricultural products be in line, insofar as possible, with their value. Since a price scissors results from the cost of farm products being lower than their value and the cost of industrial products being higher than their value, resulting in exchange at unequal value, regulation of the price of farm products aims at increasing aims at increasing the price of farm products while, at the same time, lowering the price of industrial goods. Alternatively, when increasing the price of both industrial and agricultural products at the same time, the extent to which the price of farm products is increased will be greater than the extent of the price rise for industrial goods. When the price of industrial and farm products is simultaneously lowered, the extend of reduction in the price of industrial goods will be less than that of farm products.

However, regulation of industrial and farm product prices is no simple matter. When the price of farm products is raised, in particular, the ramifications will be widespread. One extremely conspicuous problem is how to handle the relationship between purchase prices and market prices. If market prices are raised at the same time as purchase prices, on advantage will be that the state treasury will not have to carry the burden. The shortcoming of this method, however, is that it can bring about a chain reaction. Since farm products are the people's main means of livelihood, and since they are also a raw material for numerous industrial products, increase in their price must inevitably increase industrial goods production costs and lead to a rise in the price of industrial goods. Thus, consumers will not only have to pay more to buy farm products at higher prices, but will also have to pay more for a series of other goods for which the price has risen as a result of the increase in the price of farm products. This can lead to serious popular discontent and social turmoil. For example, in 1962 the USSR's tremendous increase in the retail price of meat led to a very great social shock. In Poland, huge strikes occurred several times all because of increases in the sale price of commodities including food. Yet another method is to increase the state purchase price for farm products, but to maintain market prices without change. The difference between purchase and sales prices is then picked up by the government through use of revenues to subsidize the enterprises involved. The advantage of this way of doing

things is that it maintains price stability with no effect, or little effect, on the people's livelihood. The disadvantage, however is that it increases the burden on the public coffers. Yet another technique is to increase both purchase and sale prices, and then to subsidize the living expenses of those whose livelihood is thereby impaired as well as to subsidize enterprises. The foregoing methods have been used in the USSR, all the countries of eastern Europe, and in Japan, South Korea, and Burma. In 1979, following increase in farm product purchase prices in China, the sale price of non-staple foods was correspondingly raised at the same time. The 5 yuan increase in the non-staple food subsidy paid staff and workers was of this order. Use of government subsidies, if kept within certain limits and used properly, can play a definite role in maintenance of price stability and social order. However, when such subsidies exceed a country's ability to carry financially, it can lead to the opposite results. This because when too much subsidization from public coffers is done, a deficit may result that ultimately forces increased printing of money. This leads, in turn, to inflation and a rise in prices, or else, as happened in Poland, finally sale prices have to be increased. The great Polish strike of 1980 that shocked the world resulted from abandonment of subsidies and increases in the price of food. (In 1980, Poland's subsidies from public funds amounted to 500 billion zlotys, 40 percent of the national budget). In addition, use of subsidies from public funds as a means of artificially maintaining prices unchanged may create numerous false situations in economic life that are disadvantageous to the coordinated development of the economy and improvement of the administration and management of enterprises. In addition, this violates the laws of value. As for great decreases in the price of industrial products, only if the industrial labor productivity rate increases tremendously and the supply of industrial goods exceeds demand is this possible, and it is not readily achievable in most developing countries.

#### 4. China's Price Scissors Cannot Be Eradicated Within a Short Period of Time

Now let us correlate this to China's current realities, and discuss whether or not the foregoing two methods can be used to solve China's price scissors.

(1) The problem of hastening increase in agriculture's labor productivity rate. Following liberation, China's agriculture underwent socialist transformation and took the socialist collective path. The peasants made a new start and became masters, and enthusiasm for production rose greatly. During the past more than 30 years, old China's backward agriculture has been changed, and now China is in process of moving toward agricultural moderniza-

tion. The agricultural labor productivity rate has also increased substantially. However, because of the small amount of accumulated wealth, the low levels of production, and the small accumulations from agriculture itself, it still lags very far behind economically developed countries in terms of technical equipment. According to 1978 statistics, accumulated fixed assets for the country's rural communes, production brigades, and production teams totaled 80 billion yuan, an average of only 370-odd yuan per farm worker. China's industry also does not have a great amount of technical equipment, the amount of fixed assets averaging somewhat more than 3,700 yuan per worker. Still, this is 10 times more than for agriculture. In view of such a low level of technical equipment, it is very difficult to raise the labor productivity rate, particularly since China's agricultural population is so large. The rural workforce increased from 170 million in 1952 to the present 300 million, but land is limited, an average of less than 5 mu per capita of the agricultural workforce. Further economic diversification and development of commune and brigade enterprises can absorb some of it, but no great decrease will occur. Such a large workforce nesting in rural villages with no outlet lies at the crux of the country's inability to raise its agricultural labor productivity rate very fast. Socialization and specialization of agriculture can only be accomplished gradually as agricultural productivity rises. Though specialized seed and fertilizer companies have now been established, only a beginning has been made. Peasant cultural and scientific levels, and the degree of production technology etc cannot be suddenly increased either. From the foregoing analysis, it is plain that for some time to come China's agricultural labor productivity rate will not rise very fast, and will continue to lag behind the speed of increase of the industrial labor productivity rate. This means that inequities in the unit industrial and agricultural value will continue to exist or even increase.

(2) The question of great increase in state purchase prices of farm products. Steady increase in state purchase prices for farm products has been a policy that the country has followed for a long time. However, both the increase and the amount of increase in purchase prices must depend on the ability of the country's treasury to pay. It is not possible to raise prices by any subjectively desired amount. For the 1979 price rise (when the purchase price for grain rose 20 percent), the country had to pay about 10.8 billion yuan. This had a tremendous effect and led to a series of reactions. The price of many goods rose along with it, and this was also an important reason for China's fiscal deficit. On the basis of the variance between the price and the value of industrial and farm products, in order to greatly narrow or abolish the price scissors, the country would have to allocate several tens of billion yuan. This is vastly more than current

public revenues can handle, and it would create even greater effects. As for the use of subsidies, current national subsidies for basic consumer goods such as grain, oil, cotton, vegetables, meat and eggs, and coal for civilian use, as well as increased price subsidies paid for excess procurement of farm products amount to more than 30 billion yuan annually. This is 20 percent of revenues (and rent and transportation subsidies are not included). With future expansion of agricultural production, quantities purchases of grain, oil, and cotton will increase year by year, and the amount of subsidies will become greater and greater. A large part of these subsidies will be swallowed by public revenues. This is truly a heavy burden for the national financial budget to carry. Thus, on the basis of the country's current financial situation, except for instances in which the price of certain products is at exceptionally great variance with value requiring continued appropriate readjustment, no tremendous all-around increase in the state purchase price for farm products will be possible in future. In his report to the 12th Party Congress, Comrade Hu Yaobang said explicitly that increase in peasant income cannot again rely primarily on increase in prices paid for farm products. Furthermore, China's agricultural products commodity rate is very low. It is only 15 percent for grain, and averages about 30 percent. Even if purchase prices were tremendously increased, the significance for the broad masses of peasants would not be great. This is because an increase in purchase prices helps only the small number of areas with a high commodity rate. The majority of places with a low agricultural commodity rate not only obtain no benefit, but may have their burdens increased. For example, following the 1979 price rise, farms in some areas had a lot to say. They said, "income did not increase by much, but the money we take out of our pockets increased quite a bit." But would it tremendously reduce the price of industrial goods? Inasmuch as the price of industrial goods in China is currently higher than their value, a lowering of prices would be fair, of course. However, the level of China's industrial production is by no means very high, and the country is still in financial straits. "The source of the large amount of funds needed for building of the "four modernizations" will have to come from very very great increases in accumulations by industry. Naturally that does not rule out the possibility of lowering the price of a small number of industrial goods, particularly industrial goods used in agriculture (such as plastic sheeting).

In summary, over the short run, the speed of increase in the country's agricultural labor productivity rate will lag behind the speed of increase in the industrial labor productivity rate. Prices paid for farm products will not increase tremendously again, and conditions do not exist as yet for a lowering of the

price of industrial goods. For this reason, the price scissors will continue to exist for an appreciable length of time and cannot be abolished within a short period of time. Gradual solution is possible only as an accompaniment to future expansion of production, and we must understand this very clearly. Ideas of trying to abolish the price scissors too rashly and too early to realize an exchange at equal value of industrial and agricultural products is unrealistic.

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## FOREIGN TRADE

### LEGAL PROBLEMS OF CHINESE-FOREIGN COOPERATIVE VENTURES SURVEYED

Shanghai SHESHI KEXUE [SOCIAL SCIENCES] in Chinese No 1, 15 Jan 83 pp 68-70

[Article by Zhao Kexue [6392 1218 0186], Research Institute of International Law, Wuhan University: "A Preliminary Study of Legal Problems of Chinese-Foreign Cooperative Ventures"]

[Text] Since the policy of opening up to foreign countries was instituted and economic foreign trade was expanded and developed, many forms of absorbing and utilizing foreign capital have emerged. One form which has attracted widespread attention and interest has been the "joint venture," a new form of our country's use of foreign capital which has been developing rather rapidly. According to relevant documents, in the 2 years from 1979 to 1981 there have already been more than 350 joint venture projects in Guangdong, which have brought in a total of over US \$1.5 billion in foreign capital. As the number of joint ventures has increased, the variety of types has expanded; the relationships involved urgently require clarification. Therefore the requirement to develop legislation on joint ventures has appeared on the agenda. The present article surveys some findings on legal aspects of the matter for reference use.

#### 1. The Nature of Joint Ventures

As generally described, joint ventures are undertakings in which our side, which contributes land, resources and manpower, and a foreign party which provides funds, equipment, materials, industrial production rights, technical assistance and the like, engage in limited cooperation in a certain economic construction project on the basis of a mutual agreement or contract, in which the profits are divided according to a negotiated proportion or part of the output is handed over, and in which the production facilities become our property after the other party's capital is repaid or the cooperation period elapses. This type of cooperation clearly has no formal relation to Chinese-foreign joint capital ventures organized as joint stock companies. Its organization and profits distribution methods are relatively simple and flexible and suited to adoption by medium and small-sized enterprises. In particular, it enables us to absorb foreign capital in order to develop our economic without ourselves putting up funds, which is a pressing need in view of our current shortage of funds. These points are unquestionably advantages of the joint venture. But if we view this form as a kind of

"venture without putting up capital," in which we can share in profits without bearing losses, then the joint venture and the joint capital venture would differ not only in form but in nature as well. I believe that this viewpoint is not necessarily correct.

The main basis for this viewpoint is that our side provides land as a condition of the cooperation and need not buy stock, while land use fees are not collected, so that it is a kind of "business not requiring capital." But we know that from the viewpoint of Marxist political economy capital may be in the form of money or in physical form. Since land exists in physical form, it can of course be used as capital. Furthermore, land itself does not lack value; it is exchanged as a commodity, it has a sales price, and it may be rented. Marx points out in "Das Kapital" that the land rent "is the form which the land ownership system uses in the economy to realize and increase value." ("Das Kapital", Vol 3, p 98). In this country the land rent appears in the form of land use fees. Accordingly the paying and receiving of land use fees is actually a form of renting of land and a method of increasing its value, so that furnishing land or allowing its use without collecting a land use fee actually constitutes an investment of the unchangeable part of capital. In our cooperation with foreign capital, land is in fact our capital--a special type of capital. But the value of land is denied in the theories which refuse to admit that commodity economies exist in the socialist economy and society, and because land has long been excluded from the realm of exchange and has been forgotten in this context, it has also been forgotten that the reason we prohibit the sale of land is that it has this value. If we put it on the market, we would have to admit that it has this commodity value and that it functions as a means of production within capital. Payment of a percentage of profits is the economic benefit which this land investment brings. The same applies to manpower. Chinese-foreign joint ventures are state capitalism, and furnishing manpower is in reality an investment of the exchangeable part of capital. This is China's special kind of capital in its cooperation of with foreign capital.

In addition, logically, if we believe that what we are engaging in is a kind of "venture without putting up capital," then the joint venture would really be a "sole venture by foreign capital." Obviously it is an error to believe that our side puts up no capital, and this may lead to errors in understanding of the nature of the joint venture or errors in practice.

To summarize, we can see that both the joint venture and the joint capital venture involve a union of Chinese and foreign capital, and that there is no essential difference between them. It is extremely important to affirm this fact for several reasons.

a. It helps to realize the principle of equality and mutual benefit in uniting with foreign capital. Since it is a relationship in which both sides contribute capital, we must estimate the size of our investment and correctly arrange the distribution of the economic benefits, rather than erroneously believing that it is "business without putting up capital" with the result that the percentage of profits that we receive is too small and we believe that we are receiving great benefits. For example in a certain construction project our side not only guaranteed the other side's capital and paid interest, giving a certain percentage of profits, but also paid the taxes and

other expenses, while still believing that at the end of the cooperation period the property became ours "without compensation." In short, this resulted from being deluded by surface interests and from a lack of correct cost accounting. Obviously this cannot be considered cooperation based on equality and mutual benefit.

b. It is helpful in clarifying the various legal relationships in joint ventures. Since a joint venture involves joint contribution of capital, then such legal relationships as joint management, joint bearing of risk, joint bearing of profit and loss, joint enjoyment of profits, and equal rights are self-evident, and neither side can receive a portion of profits without bearing risk and bearing losses. It is also helpful in determining the characteristics of the joint venture and especially in distinguishing it from other forms of use of foreign capital.

## 2. The Characteristics of the Joint Venture

Everything has its own characteristics which distinguish it from other things. Reflecting these characteristics in law, we can use legal language to call them its main components. On the basis of what we said above regarding the nature of the joint venture, the forms in which it is expressed and the internal relationships which it reflects, I believe that the joint venture's characteristics are as follows: (1) it involves an economic entity organized by the investors (our side contributes land or manpower); (2) it involves an agreement signed by both parties (specifying the construction items and the schedule); (3) there is joint participation in operations; (4) there is distribution of profits (or output) in a predetermined proportion; (5) there is mutual bearing of risk and loss. These are the main characteristics, which impose a clear standard and help to identify formal differences between it and the joint capital venture, and especially to make a distinction between it and compensated cooperation or the loan, because many supposed joint ventures are actually compensated ventures or a mixture of loans and compensation.

First we consider compensated cooperation. Compensatory trade is basically a trade form in which the equipment which one party furnishes to the other is compensated by commodities. In its nature it is not a form in which capital is invested, but one in which capital is repaid. But when it involves repayment of the other party's funds with a proportion of profits or output, it is very easy to confuse it with the joint venture, and it is hard to draw the distinction between them. But if we consider the characteristics in which the two differ, we can easily see that compensated cooperation is different from a joint investment venture, because the basis on which the other party participates in profits is repayment of his capital. The earnings (or proportion of output) which he obtains may be either a gain or a loss, and he is responsible for either, while in the joint venture the portion of profits paid to the other party is the profit on his capital, and accordingly both sides bear either the profit or the loss. For example, when a certain guest house was built, the other party provided the sum of Hong Kong \$6 million for the construction of a 300-room guest house, of which he was to operate 200 rooms for the first 5 years, under independent accounting, taking the profit or loss himself, while after the 5 years were up the 200 rooms would become ours. Obviously this was a case in which our side compensated the other party's funds by permitting him to enjoy the management

rights for a certain period, and accordingly it was a kind of compensated cooperation. In another case, a certain motor vehicle company entered a joint venture with a transportation organization, in which the automobile company provided a certain number of vehicles and the agreement or principal was required, but compensation would be made in the form of a proportion of the profit made in operations. When the cooperation period ended, the vehicles would become our property. It is quite clear that this is compensated cooperation and cannot be considered a joint venture, because it does not have the characteristic of a joint capital venture, but simply involves compensation of capital.

Compensation under the loan form involves repayment of capital with interest, and the lender neither participates in management nor bears a risk. Because the characteristics of this form differ clearly from those of joint venture, it is generally easy to distinguish them. But many supposed joint ventures are actually organized with repayment of the other party's funds and use the loan repayment form, i.e., guaranteed repayment, for capital, while they use the method of payment of a percentage of profits for the interest component, without having a fixed interest rate. This type of compensation method may be called the mixed compensation form. For the other party the only risk involves the size of the interest; none of his capital is at risk. For example, a certain transport company was supplied with vehicles by the other party at a certain price, and the capital was first paid off at the rate of 1/24 each month, while a payment of 20 percent of net profits was also paid; we received 80 percent. The cooperation period was 3 years. In other words, the other party's capital was paid back in 2 years, so that the amount of his funds that were committed decreased steadily; he had received all of his funds back at the end of 2 years but was still receiving a percentage of profits. At the same time, the vehicles were aging, and when they became ours after 3 years, it was possible that they might already be worn out. In the case of a certain guest house, the cooperation period was 15 years; during the first 10 years the other party's money was to be paid off out of depreciation funds, and profit was to be divided up on a 30-70 basis, with the other party keeping 70 percent; in the last 5 years the other party was to keep 30 percent. This involves the same problems as the example cited before. In discussing cooperation with this form of compensation, we will not consider the size of the economic benefits and whether or not they are worthwhile; but in terms of the amount of risk borne, at any rate, they are unequal. Theoretically, since joint ventures involve joint contribution of capital, having the foreign capital fully compensated over the entire length of the cooperation period is a more suitable method.

### 3. Legal Forms of the Joint Venture

We know that the legally established form of joint capital venture is the limited liability company. Even though the joint venture has no essential difference with it, there are differences in form. Naturally these differences in form should be reflected in legal provisions. In actuality, because the joint venture is an economic entity involving joint investment of capital and organized in a contractually specified manner, most of such ventures can use



organizational forms which are in accord with the collective circumstances of the various sectors. For example, some use the management committee form, while in some of them one party is responsible for operations management while the other exercises financial oversight, auditing rights and the like; this organizational method's flexibility is an advantage which unquestionably should be legally confirmed.

Second, because the joint venture is an economic entity which involves joint investment, joint operation, sharing of profit or loss, and division of profits, the two parties have common economic interests rather than a relationship in which one party's gain is the other party's loss, as in the case of buyer and seller or lender and borrower; both gain or lose simultaneously. This commonality of economic interests is reflected in law as a parallel legal relationship between the two parties, i.e., both of them jointly enjoy the same rights and have the same obligations.

In addition, joint venture organizations generally do not engage in management activity as corporations; the management body and the two cooperating parties are essentially in proxy relationship. It is evident that the joint venture essentially has the characteristics of a partnership. In other words, the legal form of the partnership is essentially applicable to the joint venture. The reason we say that it is essentially applicable is that the two differ in some respects. For example, the partnership involves joint ownership of property, and the capital cannot be withdrawn from it while the partnership exists, so that withdrawal of capital is recognized as withdrawal from the partnership, while most joint ventures now use the method of continuing repayment of one party's funds during the course of the cooperation period. These points of difference cannot affect the basic similarity of the two types, and may be resolved during legislation. Because the joint venture is a form which spontaneously developed among the masses after the "Law on Chinese-Foreign Joint Capital Ventures" was promulgated, it is very difficult to imagine that the two forms could naturally be in harmony, with no points of disagreement. Our task is to improve this form by giving it a legal basis.

Should we avoid raising the subject of the partnership because of the objection that it is following old-fashioned law or borrowing foreign law? I do not think that this is necessarily the case. In the first place, the Chinese term for "partnership" is indigenous and originated long before the terms "company" or "limited liability company." Second, the emergence of the partnership form is the product of development on a specific economic basis. In the process of our country's opening up to foreign countries and invigorating domestic markets, the partnership may emerge as an economic entity both in the domestic economic sphere and in foreign economic relations. The creativity that has developed in the joint venture is itself a proof. Therefore, as a legal category, the partnership has its own objective economic basis for existence. Unless we are overscrupulous, there is no need to avoid it.

Of course, laws on the partnership are yet to be drafted by the lawmaking bodies, and there is no way to go into further detail here. But the legal provisions for the partnership are largely the same in all countries. On the basis of certain foreign discussions, the "joint venture" or "joint



adventure" basically takes in the category of the partnership and adopts certain legal stipulations of the partnership. Therefore our attention to this problem in order to promote attention and consideration to it in the process of drafting legislation on joint ventures not only will help to improve the legal form and clarifying the rights and duties of the two parties, but also is intended to assure that due importance is accorded to the category of partnership, because it is extremely important in solving the problem of the legal applications of the multiplicity of joint ventures.

Our conclusions are as follows:

- a. Based on what has been said above regarding the nature, characteristics and legal form of the joint venture, we can describe the legal concept as follows: it is an economic entity whose nature is that of a partnership, in which our side unites its special capital, i.e., land, manpower, resources and the like, with foreign capital on the basis of a specific contractual agreement.
- b. The joint venture must be distinguished from compensated cooperation, agreements for repayment of borrowed funds and the like, which belong to different legal categories.
- c. As economic cooperation with foreign countries expands, it is quite possible that even more types of joint ventures using varieties of the partnership form will arise.

Consideration of these points will be useful in drafting legislation on joint ventures.

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## LABOR AND WAGES

### ECONOMIC REFORM, IDEOLOGICAL BUILDING

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[Article by Chen Jinyu [7115 6651 3768]: "Economic Reform and the Ideological Building of the Working-Class Contingent--Also On the Vital Role of the Trade Union in this Respect"--passages within slantlines published in boldface]

[Text] The urban areas are pushing forward the economic reform in a guided and orderly manner in accordance with the policy and dispositions determined by the Central Committee. This reform will inevitably promote the raising of economic results in enterprises by a big margin and promote the development of social productive forces in our country. What will be the effect of such an extensive and profound reform on the building of the working class, the subject of the practice of this reform, and especially its ideological building? What are the relations between economic reform and strengthening the ideological building of the working-class contingent. Will the implementing of various forms of economic responsibility system give rise to individuals and departmentalism and thereby result in a waning of political enthusiasm among the workers? Is ideological and political work essential? As the most widespread mass organization of the working class, what actually should the trade union do to give full play to its vital role in economic reform and strengthening the building of the working-class contingent? This article will only discuss some views regarding the aforementioned questions.

#### The Economic Reform Has Endowed the Ideological Building of the Working-Class Contingent with New Vitality

Marxism holds that divorced from material interests and political power, the enthusiasm of any class cannot emerge as a matter of course. Under socialist conditions, material interests and democratic rights are still the two basic factors directly affecting the enthusiasm of the working class as well as of other workers. A vast amount of findings from investigations on the existing condition of our working class has indicated that the two most direct and important problems which directly affect giving full play to the production enthusiasm and political enthusiasm of the workers at present are: 1) Egalitarianism is generally serious in distribution, the actual difference between mental labor and physical labor and between skilled labor and unskilled labor has not been duly reflected in labor remuneration, and he who works more cannot receive more; and 2) democratic management in some of the enterprises turns

out to be a mere formality, and the due democratic rights of the workers have not been properly reflected. On many occasions, the workers still cannot exercise their democratic rights in accordance with the law and the party constitution to dismiss or apply sanctions to incompetent or troublemaking workers. On such major issues as dealing with production, supply and marketing as well as manpower, finance and materials of the enterprise, the workers in fact have very little real say in the matter. The inability to properly implement the socialist principle of distribution according to work and the principle of democracy will unavoidably dampen the enthusiasm of the workers to exert themselves in production and assiduously study technology as well as their enthusiasm to run their own affairs and manage the enterprise. Under these kinds of conditions, it will also be difficult for the ideological and political education carried out by our party on the workers to fully achieve the desired results and a considerable portion of it will be offset by negative phenomena in actual life.

We must soberly see that egalitarianism and imperfect democracy are precisely interrelated with the irrational aspects and links which still exist in the present economic management system. The irrational economic management system and certain backward or even erroneous policies, rules and regulations arising therefrom are the soil giving rise to negative phenomena (such as bureaucracy among the cadres and hired-hand mentality among the workers) in the working-class contingent. At present, our party is leading the working class to carry out a comprehensive and systematic reform of the outmoded economic management system. The goal of this reform is to readjust certain aspects and links of relations of production so that they will correspond to the development of productive forces. In the field of distribution, we must overcome the egalitarian practice of "eating from the same big pot" and further carry out distribution according to work. In the fields of enterprise management and relations between the leading members and the masses, we must overcome bureaucracy and conscientiously safeguard the democratic rights of the workers. Therefore, the practice of economic reform will inevitably overcome most of the negative phenomena in the working-class contingent, eliminate their breeding ground, provide extremely favorable conditions for strengthening political and ideological education and open up a vast field for improving the political and ideological quality as well as cultural and technical quality of all members of the working class. Since working more will mean receiving more, it will encourage the people to diligently make progress, stimulate the people to exert themselves in studying culture, mastering technology and competing with each other to contribute their wisdom and ability, and promote the whole working-class contingent to improve their labor discipline, sense of work responsibility and cultural and technical level. Since the quality of enterprise management is linked to the personal interests of the workers themselves, they have a right to genuine say in managing the enterprise well. This will produce in them a great interest in running their own affairs, and they will also show concern for the future and destiny of the whole country. The successful experience of the units carrying out economic reform at selected points has brought to light this principle: The effect of the economic reform on the ideological building of the working-class contingent is positive and not negative. It will not lead to a waning of political enthusiasm on the part of the workers, but just the opposite, it will promote an upsurge in the political enthusiasm of the workers.

It should also be pointed out that in the past, the "gang of four" regarded distribution according to labor as "an economic base and condition for the emergence of capitalism and the bourgeoisie." This absurd argument was repudiated a few years ago but its pernicious influence has not been thoroughly eliminated. The emergence of some unnecessary worries and misgivings, such as that the implementation of the economic responsibility system will inevitably encourage individualism and departmentalism, is, to put it bluntly, an expression of the fact that the pernicious influence of "leftist" ideas mentioned above has not been thoroughly eliminated. Therefore, it is quite necessary for those comrades who have misgivings to receive reeducation in the socialist principle of distribution according to labor and the Marxist principle of material interests.

#### Strengthening the Ranks of the Working Class Ideologically Constitutes an Important Guarantee for the Smooth Progress of Economic Reform

Economic reform will be able to overcome to a considerable degree various negative phenomena, such as bureaucratism and hired-hand mentality, and endow the ideological building of the working class with new vitality. However, it does not mean that all problems can be solved as soon as we carry out reform and institute the contract system. To ensure the smooth progress of economic reform, it is necessary to vigorously step up ideological and political work among staff and workers from beginning to end. It is necessary to mobilize, educate and organize all members of the working class to stand in the forefront of reform, take part in and lead the reform and more actively bring into full play the role of the main force. The reasons for bringing the question of strengthening the ranks of the working class into the entire work of reform and firmly grasping it as an important link also lie in:

/1. In reforming the management system of the economy, it is necessary to simultaneously overcome the old ideas related to this system./ Old social ideas, such as bureaucratism, egalitarianism and hired-hand mentality, are mutually related to the irrational economic management system. They are reciprocally causative. Social ideas are also relatively independent. After the irrational economic management system has been reformed, it is impossible for the old social ideas to disappear automatically. More often than not they stay in people's minds and cause trouble. In addition, old ideas such as bureaucratism, egalitarianism and hired-hand mentality have profound social and historical roots. They will stubbornly manifest themselves in the entire process of economic reform, obstruct the progress of economic and other reforms and possibly continue to do us harm under the new economic system. Therefore, when overcoming bureaucratism, egalitarianism and hired-hand mentality with policies, rules and regulations, we should coordinate these with ideological and political education. Due to the indoctrination and influence of "leftist" erroneous ideology and theory, there are still strong obstructions to the reform currently being carried out. For example, is the practice of "everybody eating from the same big pot" a good thing or a bad thing? Why do the economic responsibility systems conform to the socialist principle? Why is it necessary to select a large number of intellectuals with both ability and political integrity to strengthen leading bodies at various levels? With respect to these questions, a number of staff and workers still lack a correct understanding. In the course



of implementing the economic responsibility system, some staff and workers pay more attention to personal interests than to the question of making more contributions to the state. For this reason, it is now urgently necessary to energetically step up ideological and political work among staff and workers, help the broad sections of staff and workers raise their understanding of the significance, aims and methods of reform and thus lay a good ideological foundation for the reform.

/2. Advanced public ownership should be operated by advanced means while advanced means of operation should also be controlled by laborers who have advanced ideas and rich experience./ Why is it that, given more or less identical production and technical conditions, some enterprises instituting the economic responsibility system attain marked results while others produce very little effect and even suffer setbacks? An important reason is that the ideological conditions of staff and workers needed for the reform are somewhat different. Without the advanced ideas of the working class, it would be impossible for even the most advanced and rational system of operation and management to give full scope to its proper benefit. In the course of implementing the economic responsibility system, we are constantly confronted with the question of how to deal correctly with the differing interests of the state, the enterprise and the individual. The contradiction and struggle between the advanced ideas of the working class and backward ideas, such as individualism and departmentalism, permeate various questions of contract, such as targets, quotas, cooperation and discipline. No economic contracts or contract deeds are perfect and omnipotent. Therefore, people with unhealthy minds can always take advantage of some loopholes. For example, after a contract has been made, the following phenomena may appear: some workers manufacture goods in a rough and slipshod manner or abuse the equipment in an effort to exceed the quotas; they find pretexts to maintain backward [word indistinct] quotas and refuse to revise or raise them. In Anh to gain more personal profit, some shop assistants do not hesitate to undermine the prestige of state enterprises and to take advantage of customers. Therefore, only by constantly stepping up ideological education among all staff and workers and overcoming various erroneous ideas and acts, such as putting profit-making first, benefiting oneself at the expense of others and seeking private gain at public expense, is it possible to achieve, on the basis of improving the economic results of enterprise, a situation whereby "the state gets the biggest share, the enterprise gets a medium share and the individual gets a small share" and to ensure the healthy development of economic reform along the socialist orientation.

/3. Reforming the old system and establishing the new can help the working class get rid of old ideology and establish new ideology./ However, this can never be a merely spontaneous process. When he talked about the impossibility of the ideology of scientific socialism emerging spontaneously among the workers, Lenin pointed out: "Class political consciousness can be brought to the workers only from without, that is, only from outside the economic struggle. ("Selected Works of Lenin," Vol 1, p 293) This basic principle is not out-of-date today. In order to help the broad masses of staff and workers obtain, in the practice of reform, such simple areas of consciousness and concepts as diligence, studying hard to master techniques, paying attention to work efficiency, attaching importance to economic accounting and being concerned for the collective,



and then to obtain a Marxist world outlook--the scientific class consciousness of the working class, it is necessary to uninterruptedly and systematically bring to them the scientific ideological system of communism in light of the new historical conditions and tasks. In the old society, being oppressed by the capitalists and foremen, the workers had a simple and spontaneous consciousness of resistance. But only when they had accepted Marxism were they able to obtain the class consciousness of carrying out the revolution under the leadership of the party to liberate themselves. Likewise, all members of the working class can more consciously and effectively exercise their rights and carry out their duties as masters of the country, in the economic and other reforms, only when they have mastered the scientific world outlook and are clearly aware of their historical mission.

For this reason, in the whole process of the reform, we must not slacken, weaken or even abolish ideological work among the ranks of the working class. On the other hand, along with the development of the economic reform, we must make a great improvement in the content and method of the ideological and political education among the staff and workers. Since labor productivity is generally raised after the economic reform and the production quotas and the fixed numbers of staff and workers have become more reasonable, the enterprises now have more time to carry out political and cultural education among the masses of staff and workers. Under socialist conditions, the time for the laborers to study political and cultural knowledge is, in the final analysis, closely related to the labor productivity of the whole society. Over the past few years, in some enterprises which have been assigned full production tasks and which have a higher management level, political training classes have been run to train in rotation young staff and workers who were released, or partly released, from production. Some useful experience has also been gained in this respect. At present, the key problem is that we must also pay attention to the results of ideological and political education, just as we have done in our economic work. We must never allow any repetition of the past formalist practices which have wasted the precious time of the staff and workers. After the economic reform, the initiative of the masses of staff and workers as masters of their own houses has been unprecedentedly mobilized. In order to perfect their skill in running their own affairs, they urgently demand to raise their theoretical level of Marxism and to obtain more knowledge about economic management, democracy and laws, professional morality and modern science and technology. At the same time, with the improvement of their material life, the workers' demands in their spiritual life are also increasing. If we do a good job in the political and ideological work to satisfy their needs in the spiritual life, they will certainly be willing to spend more time in the study of political and cultural knowledge. We must have confidence in this.

Give Full Play to the Important Role of the Trade Unions in the Economic Reform and in the Ideological Work in the Ranks of the Working Class

The economic reform in the cities is, in essence, a great revolutionary practice of the working class under the leadership of the party in building socialism with

Chinese characteristics and an important task for the workers' movement in our country at the present stage. The important role of the trade unions, which are the biggest mass organizations and communist schools of the working class and strong ties between the party and the masses of workers, must certainly be brought into full play in an active manner. This important role is played in many fields.

In the present economic reform, the grassroots trade union organizations must grasp the following main jobs: Making great efforts to enforce the system of workers' representative conference and promoting the democratic management of the enterprises so that the system of workers' representative conference can be brought into full play in the reform. For example, such important matters as making plans for the reform and signing contracts must be discussed and decided by the broad masses of workers so that the workers can exercise their democratic rights granted by the workers' representative conference. They must not be decided by one or two leading cadres without considering the opinions of the broad masses of workers. It is necessary to further launch socialist labor emulation drives (the management responsibility system is, in essence, a kind of labor emulation drive, only there are some changes in its content, form and conditions in comparison with previous emulations) so that the targets of the contracts signed between the state and the enterprises and between enterprises and individual workers can always be advanced and better economic results can be achieved through the practice of the economic responsibility system. It is necessary to strengthen everyday ideological and political education among the staff and workers while actually caring for their welfare, and handle well the relations between all kinds of people within the workers' ranks, which have some changes due to the reform of the labor, wage and cadre systems, especially the relations between mental and physical workers, between managers and producers, between skilled and unskilled workers, between young and old workers and between the advanced and the less advanced workers. It is necessary to educate them to learn from and help each other so that they can advance together and the great unity of the working class can be strengthened.

In order to bring the important role of trade unions in economic reforms and in conducting ideological education among the worker masses into full play, not only should trade unions carry out a series of reforms in aspects of their organizational forms, work focuses, activities and thinking styles so as to adapt themselves to the demands of the new historical tasks, but party and administrative leading cadres in enterprises should also be required to correctly realize the trade unions' position and role in enterprises. During a certain period after the founding of the PRC, due to the influence of "leftist" ideology, people neglected the objective foundation and necessity for the existence of trade unions in the socialist historical stage, failed to correctly treat and handle the relationships between trade unions on one side and party organizations, political power organs and economic organizations on the other, paid no attention to the trade unions' duty to safeguard the interests of the worker masses, and erroneously put such labels as "syndicalism" and "refusing to obey the party leadership" on trade unions' work. All this dampened the enthusiasm and creativity of a vast number of trade union cadres. This negative influence has not yet been thoroughly eliminated and some trade union cadres still have a lingering fear. This is a painful lesson that we must draw. As for the question of the independence of trade unions, we should make concrete analysis. Trade unions are not allowed to have political independence or to have independent political programs apart from that of the party. It is also unnecessary for them to

achieve this independence. Since the working class seized national political power in China, the political influence of our party as a ruling party among the worker masses has been increasingly expanded and has become deep-rooted, the political consciousness of most members of trade unions has continuously been enhanced and trade union cadres have greatly enriched their political experience. The necessity for the trade union as a mass organization of the working class to maintain a unanimous political stand with the party as the vanguard of the working class has been fully realized by the people and this has become an historical fact. However, it is permissible and necessary for trade unions to independently organize their specific activities under the leadership of the party. For example, they are authorized to adopt resolutions according to their own constitutions and to elect leaders in a democratic way (party organizations may recommend some candidates for trade unions, but union congresses have the right to decide whether they are elected). If everything is tightly controlled by the party, the trade union will lose its nature as a mass organization and this will inevitably weaken the relations between the party and the worker masses and cause losses to the party's cause. In the actual life of our country, that trade unions receive the leadership of the party in essence coincides with the fact that they independently organize their activities according to their own characteristics. The two sides are not contradictory. In the past, however, the political independence of trade unions was indiscriminately lumped together with the need for handling their day-to-day work independently. For fear of involving themselves in the former, people simply held back from affirming the latter. Practice has shown that this does not bring about good results.

Since the downfall of the "gang of four," and especially since the 3d Plenary Session of the 11th CPC Central Committee, the party central leadership has laid down a series of important instructions on the character, position, tasks and roles of trade unions in the new historical period, with stress being particularly put on the point that trade unions must speak on behalf of the worker masses and safeguard the interests of the worker masses. Through the work of setting things to rights, trade union work has been gradually guided onto a correct and regular course and has made due contribution to socialist modernization. At present, all of our trade union cadres must emancipate their minds to a further degree, boost their revolutionary spirits, carry out their work in a creative way in the course of economic reforms and reforms in other fields and in the course of consolidating our worker ranks, and strive to be competent assistants of the party and authoritatives for the working class to achieve its own interests.

CSO: 4006/398

## GENERAL

### NEW PHASE IN NINGXIA'S ECONOMIC CONSTRUCTION DEVELOPING

Yinchuan NINGXIA RIBAO in Chinese 17 Feb 83 p 3

[Article by Mou Zhiguo [3664 1807 0948] and Yao Chengsheng [1202 2052 3932]]

[Text] The "Constitution of the PRC" passed at the fifth meeting of the Fifth NPC is the basic guarantee for the great unity and common prosperity of all nationalities in China. Summarizing the historical experiences of China's nationality work and nationality policy and starting from our national conditions, the new constitution contains important provisions for the state to take necessary measures and help the minority regions develop their economic construction. Article 4 of the new constitution clearly proposes: "The state will, in accordance with the characteristics and needs of the minorities, help the minority regions hasten their economic and cultural development." Article 122 stipulates: "The state will, in the aspects of finances, goods and materials and technology, help the minorities hasten the development of their economic and cultural constructions. It will help the nationality autonomous regions train, among the local people, cadres of all levels, specialists of all types and skilled workers in large numbers." Concretely embodying the party's principles and policies on nationality work proposed since the 3d Plenary Session of the 11th Party Central Committee, these provisions will produce a great promotive impact on developing the nationality economy and transforming the poverty and backwardness of the minority regions as soon as possible, on China's socialist modernization construction and the building of a socialist spiritual civilization and on the further consolidation and growth of the socialist nationality relations.

Ours is a multinationality country, and the economy of the minority regions is an important component of China's national economy. Soon after the founding of the nation, Comrade Mao Zedong told us: "Our national economy cannot do without the economy of the minorities." ("Selected Works," Vol 5, p 214). Comrade Zhou Enlai also declared: "Our socialist state wants modernization for all areas and autonomous regions of our brother nationalities." In the past 30 plus years, the party and the



state rendered a tremendous support to the minority regions and helped them in their economic construction. Take our Ningxia for instance: Under the concern and aid of the party and the state, its economic construction developed rapidly. From 1950 to 1980, its capital construction investments totaled 4.85 billion yuan. Out of which, state investments constituted 4.467 billion yuan, or 92.1 percent of the total, creating fixed assets totaling 3.036 billion yuan. From 1949 to 1980, its total industrial output value increased 118 times, and grain output 2.75 times. The total industrial and agricultural output value grew from 106 million yuan to 1.9 billion yuan, an increase of 15.8 times. Especially after the 3d Plenary Session of the 11th Party Central Committee, the Party Central Committee attached great importance to the nationality issue and nationality work, vigorously aided the minority regions to comprehensively develop their politics, economy and culture, adopted more lenient policies for minority agricultural and livestock regions and reduced or exempted the burdens on the communes, brigades and masses. Starting from the nationality and regional characteristics, the autonomous regional party committee and people's government formulated strategic plans for economic development compatible with the reality of our region and proposed for the southern mountain areas the agricultural construction principle of "vigorously planting trees and grass, promoting livestock and agriculture and improving the all-round development of agriculture, forestry, livestock, sidelines and fishery." Under the guidance and aid of the Chinese Academy of Sciences, we launched scientific research in Guyuan, Xiji and Yanchi, the agricultural modernization bases, and the Xiji shelter-forest project. The production responsibility system in manifold forms introduced generally in rural villages throughout the region greatly activated the enthusiasm of the broad peasants. The 1981 total grain output reached 2.525 billion jin, an increase of 4.9 percent over 1980. After readjustment, the situation of industrial production also improved, and both light and heavy industries showed gains. In finance and trade, we respect the customs and habits of the minorities, actively developed nationality trade and the production of articles for their use and vigorously promoted the growth of nationality economy.

When receiving the minority visiting group last October, Comrade Hu Yaobang pointed out: "The key to minority work is the economic issue. It is of the foremost importance. We must help the minorities develop their economy." He declared in a speech that, in a considerable period of time to come, at least one or two autonomous regions should strive to reach the national medium level. To further the economic construction of our region as rapidly as possible, the autonomous regional party committee, in accordance with the demands of the Party Central Committee and in line with the practical conditions of the region, proposed the goal of around 8.7 billion yuan in total industrial and agricultural output value by the end of the century. The realization of this magnificent goal will basically transform the poverty and backwardness of our region, greatly improve the living standard of the minorities and lay the foundation for our region to leap to the national medium level and march to higher goals. Naturally, there are many difficulties on the road of progress, such as



the weak foundation, fund shortage, inferior communication and transportation conditions, low economic management level, backward technology, etc. However, they are all difficulties in the course of progress and can be overcome. We must also realize that there are many favorable conditions. First, we have the correct leadership of the Party Central Committee and the lines, principles and policies proposed after the 3d Plenary Session of the 11th Party Central Committee and decided by the 12th Party Congress. Second, after our effort of 30 plus years (especially in the 20 plus years since the founding of the autonomous region), we have a certain material foundation and a scientific and technical contingent with over 2,300 medium and high level specialists as the backbone. Third, we have rich natural resources which can be utilized. Our agriculture enjoys the irrigation of the Huanghe River, and great potentials for developing industrial and agricultural production exist. Fourth, in financial, material and technological resources, we will continue to receive the vigorous support of the state and our brother provinces and municipalities. Fifth, we have a traditional and ever growing firm unity among the Hui, Han and other nationalities.

In our region's future economic development, we must give attention to the following issues: Under the guidance of unified state planning, we must correctly exercise the self-governing power of the nationality region and, by various accommodative methods, adopt more flexible policies to enliven the economy. Nevertheless, we must keep in mind the overall situation of the whole country, eliminate the idea of complete dependence on the state, develop the spirit of self-reliance and arduous struggle and learn to walk on our own. We must tackle science and technology and education with the same enthusiasm we have for production, vigorously cultivate all kinds of experts, reinforce the training of staff and workers and appropriately solve the working and living problems of the scientific and technical personnel, especially those from other areas. With the rural villages as the focal points, we must properly perform the work on planned parenthood and strictly control the population growth, adapting it to the development of production.

We firmly believe that, with the gradual realization of the great strategic goal proposed by the 12th Party Congress and the implementation of the new constitution, the economy of minority regions will make a greater improvement. Ningxia is most promising. We must unite closely, exert ourselves, work in a down-to-earth manner and make our proper contributions to the complete transformation of the poverty and backwardness of the minority region and to the early achievement of the socialist modernization.

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CSO: 4006/391

## GENERAL

### STATE COUNCIL'S VIEW ON DEVELOPMENT DISCUSSED

HK291514 Haikou Hainan Island Service in Mandarin 0330 GMT 29 Mar 83

[Summary] Yesterday morning, the Hainan Regional CPC Committee held a report meeting to convey the draft of the State Council's summary on speeding up the exploitation and construction of Hainan Island and the spirit of the speeches of leading comrades of some units of central organs. Attending were cadres at and above the departmental and section levels of regional subordinate organs, leading cadres at and above the bureau level in Haikou City, the secretaries of all county CPC committees, the heads of all counties and the secretaries of the CPC committees of all large factories, mines and enterprises, totaling some 2,000 people.

(Zhang Rihe), secretary of the regional CPC committee and concurrently first secretary of the Hainan Li-Miao autonomous prefectural CPC committee, presided over the report meeting. (Lei Yu), secretary of the regional CPC committee and director of the regional commissioner's office, spoke at the meeting. (Li Zhirong), of the regional planning committee, and (Tang Kecheng), of the general office of the regional CPC committee, who went to Beijing with (Lei Yu) to make a work report, respectively made reports on the situation of the two joint meetings on the exploitation and construction of Hainan Island which were sponsored by Gu Mu, state councilor. They read the draft of the State Council's summary on speeding up the exploitation and construction of Hainan Island and conveyed the important speeches of responsible comrades of the provincial CPC committee after the latter listened to the report made by (Lei Yu).

In his speech, (Lei Yu) said: "All departments of the State Council have understood in depth, closely followed and acted in accordance with the policy decision of the central authorities on speeding up the exploitation and construction of Hainan Island. They have resolutely implemented the policy decision. After inspecting Hainan and returning to Beijing, Comrade Gu Mu has worked hard for the construction of Hainan Island. He has discussed it with every department. The first thing he did after the Spring Festival was to hold a conference to look into the problem of exploiting and building Hainan Island. Not only did all departments of the central authorities support the policy decision of the central authorities but responsible comrades personally sponsored various joint meetings. They seriously discussed the problems of how their own departments and units should help Hainan and made appropriate decisions. As for those items which could not be decided at that moment, they quickly sent work groups to

Hainan to conduct investigation and study before making decisions. Leaders of many departments voluntarily gave support. Now, the principle and policy on speeding up the exploitation and construction of Hainan Island and the items which the state supports have basically been decided, Hainan administrative region has been approved as a first grade government [a first grade government, such as provincial and municipal governments, is a government directly under the central government] and the whole island will exercise unified leadership and will suggest that the NPC standing committee make corresponding legislative resolutions on certain policies and regulations on the exploitation and construction of Hainan Island and recognize them as laws."

(Lei Yu) said: "The central authorities have given us policies, powers and support. As we have great powers and a grave responsibility, it rests with us to carry out the tasks. We must try to make a good showing, be modest and prudent and carefully and quietly immerse ourselves in hard work. At present, we must carry out structural readjustment well. In accordance with the requirements of the four modernizations, we must provide personnel for leadership groups at all levels. We must implement the policy on intellectuals, and train qualified persons for four modernizations. We must promote administration in ideology, politics and other aspects to suit the situation. We must ensure that discipline and the laws are strictly observed, management and unity are strengthened, all positive factors are mobilized, and people are given a free hand to do well in building Hainan so as to make the central authorities and the provincial CPC committee feel reassured."

CSO: 4006/398

## GENERAL

### HAINAN MEETING ON SPEEDING UP DEVELOPMENT

HK010200 Haikou Hainan Island Service in Mandarin 0330 GMT 31 Mar 83

[Text] The Hainan District CPC Committee and commissioner's office held a meeting of county CPC committee secretaries and government chairmen on 28 and 29 March to convey the State Council's decision on speeding up the development and construction of Hainan. The meeting demanded that the leadership at various levels swiftly transmit the State Council's decision among the cadres and the masses, make it known to every household and unify their thinking for speeding the development and construction of Hainan Island.

The CPC Central Committee and the State Council have taken a particular interest in and attached close importance to the development and construction of Hainan. In January this year, Premier Zhao Ziyang and State Councillor Gu Mu came to Hainan and held a special forum. During the Spring Festival, General Secretary Hu Yaobang came personally to Hainan for an inspection tour and issued important directives on the question of the development and construction of Hainan. Prior to this, Comrade [words indistinct] in Guangzhou.

After the Spring Festival in accordance with the instructions of the CPC Central Committee and the State Council, Comrade Gu Mu summoned the responsible comrades of the departments concerned of the State Council many times to discuss and study and implement the various concrete measures for accelerating the development and construction of Hainan. Lei Yu, secretary of the district CPC committee and director of the district commissioner's office, was twice summoned to Beijing to report to the State Council.

In order to help Hainan quicken the tempo of its development and construction, the State Council and its departments concerned have decided to give support to Hainan in the following ways:

Energy: Beginning this year, an additional 200,000 tons of coal will be given to Hainan. The Ministry of Coal Industry and that of water conservancy and electric power will jointly invest in an opencut coal mine with a production capacity of 500,000 tons of mixed coal at a newly built mine in the Changpo mining area in Danxian County and install a power plant with a generating capacity of 50,000 kilowatts. The Ministry of Petroleum has decided that the Nanhai oil-prospecting command should rebuild several small oil wells in northern Hainan and put them at the disposal of Hainan.

**Railways:** The Ministry of Railways has decided to invest in the construction of a 50-kilometer railway to link Lingtoo with Basuo, and to link up freight and passenger transport between Basuo Port and Sanya Port by 1985.

**Ports:** The Ministry of Communications has decided to immediately start on the extension of Haikou Port and Basuo Port. By the end of 1985, a new deepwater port with several 10,000-ton berths will be built at Yangpu, Danxian County; and improvement of Qingian Port should be listed in the plan of the province.

**Air Transport:** The departments of civil aviation are prepared to adopt the method of charter aircraft to introduce. As soon as possible, air service between Haikou, Sanya and Hong Kong. Pending this, the question of through air transport between Hong Kong, Haikou and Sanya should be first handled and solved.

**Sea Transport:** Sanya Port should be opened to the outside world, and through passenger and freight transport between Haikou and Hong Kong should be introduced.

**Telecommunication:** The microwave communications circuit for which the departments of posts and telecommunications are responsible is under intense construction.

**Finance:** This year, the Ministry of Finance will give Hainan an additional 8 million yuan from the funds specially earmarked for supporting underdeveloped regions, and will in future increase the amount of funds in light of the state's financial situation. In addition, every year, the people's Bank of China will grant Hainan a low-interest loan within the limit of 50 million yuan, and the Bank of China will also a low-interest foreign exchange loan of up to \$50 million.

**Agriculture:** This year, an additional 50,000 tons of chemical fertilizers will be given to Hainan together with 2,000 tons of diesel oil for use in afforestation. In addition, special-use funds are to be allocated for solving the question of safety in the area of the (Fengtao) Reservoir and the reinforcement of its big dams.

In order to help Hainan implement the principle of spurring development by opening up to the world and spurring opening up to the world by development, the central authorities have also decided to grant Hainan greater decision-making powers. It can refer to the methods of Shenzhen and Zhuhai in carrying out its external economic activities, adopt various forms to institute favored treatment policies, attract foreign investment, import advanced technology and equipment, and also develop tourism and so on.

Responsible comrades of the district CPC committee and commissioner's office gave the participants great encouragement by conveying the relevant State Council decision on speeding up Hainan's development and construction. They all pledged: We must take immediate action to make preparations in all aspects and greet the arrival of large-scale development and construction.

District CPC committee secretaries Zhang Rihe and Lei Yu made important speeches at the meeting. They demanded that on returning to their units the participants



immediately convey the spirit of the meeting and let the cadres and masses know of the Central Committee's and State Council's concern and support for the people of Hainan. All counties and departments should draw up short, medium and long-term construction plans in accordance with the intentions of the central authorities. Centered on questions of development and construction, they must reform the systems, consolidate the enterprises, turn loss to profit, and enliven supply and marketing work.

The rural areas must further perfect the production responsibility systems and set still higher demands on production. We must root out all kinds of defects hampering our advance and establish leadership groups that meet the demand of four transformations and are able to lead the cadres and masses to create a new situation.

We must seriously implement the party's policies on intellectuals, protect and employ talent well, and tap potentials and cultivate more talent. We must strengthen the sense of discipline and make preparations for party rectification. This year we must focus on solving problems of unhealthy practices in illegal house construction and allocation, and also that of overcoming anarchism. The whole party and everyone inside and outside the party must bring their thinking into line with developing and building Hainan, ensure strict enforcement of orders and prohibitions and march in step, so as to meet the demands of development and construction.

Unity is the basic guarantee for speeding up Hainan's development and construction. The party, government, army and people, the Han and the minority nationalities, Hainan cadres and those from elsewhere, new cadres and old, state-owned enterprises and local ones must all bear the overall situation in mind, work in concert and contribute their efforts to speeding up Hainan's development and construction.

At present, it is necessary to get a good grasp of spring sowing and crop tending and chemical fertilizer transport. We must do a good job in planting mid-season hybrid rice, cultivate saplings for afforestation, carry out machine-plowing, and promote the fixing of their things in forestry.

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April 21, 1983